ECONOMIC AND POLITICAL WEEKLY

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ON PARTICIPATING IN INTERNATIONAL CAPITAL MARKET

RURAL SOCIAL CHANGE AND HEALTH BEHAVIOUR

GROWTH IN MANUFACTURING OUTPUT: A CLOSER LOOK

BUSINESS AND POLITICS: A HISTORICAL PERSPECTIVE

BRITAIN'S 'TEN-YEAR ITCH'

DAMOCLES' SWORD OVER ANDHRA TRIBALS

PANCHAYATI RAJ BILL

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Panchayati Raj Bill

The real issue in regard to the Constitution (64th Amendment) Bill on panchayati raj is not the election gimmickry behind the proposals but whether the proposals are in the longer-term interest of the country In other words, is the proposed constitutional amendment desirable? Are there any serious flaws in the bill as presented to parliament? What should be the approach and attitude of the people generally and of the elected members of parliament and of the state assemblies to the proposals? 1429

It is not the Constitutional Amendment Bill that is the problem, but some of the other elements in the prime minister's panchayati raj package The centrepiece of these elements is the proposed role for the collector or the district magistrate and this has to be seen in the context of the much publicised concept of district planning in which officials will have the activist role with the more passive role for the elected representatives 1433

International Capital Market

The international capital market as it has been evolving provides an opportunity for developing countries like India to attract the required capital resources for accelerating their pace of development, manage their foreign exchange assets and liabilities to their advantage and develop export capabilities in the field of financial services Active participation in this market would also indicate the institutional and policy framework for developing effective and efficient domestic financial markets 1463

Putting the Clock Back

For the last two years the Andhra Pradesh government has been trying relentlessly to repeal the law enacted nearly two decades ago which prohibits any transfer of land in the scheduled areas of the state to non tribals This move which has received the support of all political parties including the left parties has ominous implications for the state's tribal population 1442

Socio-Economic Change and Health Behaviour

Studies of health behaviour by cultural anthropologists have considered health behaviour of rural populations in isolation It has been necessary therefore to develop an alternative conceptual framework which emphasises the close interaction of health behaviour with cultural perception and access to health services A wide ranging study of health behaviour in 19 villages spread over 8 states and covering a time span of 15 years provides information on rural social, cultural and economic transformation on the one hand and changes in health behaviour on the other and highlights the close correlation between the two 1474

On a Higher Growth Path?

With the publication of *National Accounts Statistics, 1989* it is now possible to assess the trends in the growth of manufacturing output in the 1980s and to compare them with the performance in earlier periods The observed changes in the 80s could have major implications for the long-term trend in industrial output 1481

Thatcherism's Sunset

The changes that are likely to follow the Tory debacle in the 1989 European elections will almost certainly weaken the Thatcher government Whether or not the Labour Party will be ready to take over will depend on its capacity to consolidate the gains already achieved and to put together a viable package aimed at undoing some of the major damages inflicted during the 10 years of purblind Torvism 1446

Business and Politics

As the nation industrialises organised business activity begins to provide an increasing share of goods and services and to generate more and more employment opportunities in the economy Business, thus ceases to be a mere economic activity and develops a social character An attempt to understand the relationship between business and society is therefore, not only desirable but also necessary Report on a seminar 1437

Cotton Export Fiasco

The government has failed to take advantage of the extraordinary opportunity for exporting cotton, especially long and extra long staple cotton Despite the exceptionally favourable international environment the export quota of 1 lakh bales each of Bengal Deshi and extra long staple cotton is unlikely to be fully utilised 1426

NDDB's Market Intervention Operations in Oilseeds

WE have read with interest the comment 'Vegetable Oils Swayed by World Bank' (June 3) We are in agreement with several points made by you For example, groundnut oil being the preferred cooking medium for a large majority of consumers, the groundnut oil price will always lead those of other oils As such, the price band for mustard oil cannot be the same as the price band for groundnut oil It is our understanding that the NDDB has made a strong case for having different price bands for mustard oil and groundnut oil The price band recommended by NDDB for mustard oil is Rs 17,000 to Rs 23,000 per tonne wholesale price inclusive of taxes

Currently, the price of mustard oil in Calcutta rules around Rs 17,000 per tonne including taxes They had been ruling between Rs 17,000 and Rs 18,000 for the last two months Thus the market intervention operations (MIO) launched by government of India through NDDB have been able to accomplish the lower limit of the price band In this connection, it is useful to note that the mustard seed prices have stabilised from the end of March till now around Rs 5,500 per metric tonne What is more important is that by the beginning of June more than 80 per cent of the mustard produce was already traded in the market at this price of Rs 5,500 or thereabouts Thus the mustard producers have got the full benefit of the market intervention operations Mustard seed now left with the producers is mainly with large farmers and village level traders who acquire this stocks for speculative purpose. It is undoubtedly true that the market intervention operations have benefited a large majority of small producers

We are surprised that you claim that the NDDB's efforts in stabilising the market have been half-hearted Your own estimates of the operations of the NDDB (60,000 tonnes of mustard oil and 75,000 tonnes of mustard seeds) amount to Rs 150 crore It is known that the value of the oils and oilseeds acquired under market intervention operations by the NDDB is close to Rs 400 crore It may be noted that the government of India approved the MIO and provided necessary credit to the NDDB only in April 1989 Most of the oil stocks were acquired by the beginning of June 1989 It may also be noted that till recently the government was managing the oil economy through imports of oil using the storages created at various ports In mustard producing western and north-western India there is no infrastructure in existence for storing oil There is no existing physical infrastructure for ensuring smooth flow of oil from the producing centres to the consuming centres It is high time that the NDDB created such an oil grid comprising storage and movement facilities

Your inference that MIO have been influenced by the thinking of the World Bank seems to be a little far fetched As is known in the year 1987 88 (oil year) the country produced 38 lakh tonnes of edible oil and imported 18 lakh tonnes of oil This year, domestic production has been estimated at 51 lakh tonnes This alone eliminates the need for importing 13 lakh tonnes of oil Given the opening balance of 3 lakh tonnes of edible oil with SIC and 2 lakh tonnes oil already imported before the NDDB got into operations, there appears to be no cause for future imports in this year However, in case groundnut oil prices are to be kept at reasonable levels it may become necessary for the country to import some edible oil It is known that the MIO did not start till the peak of the groundnut season in the 1987-88 oil year was over It must be borne in mind that whatever be the imports, the manner in which imports are done should not hurt the interest of Indian farmers

It is felt in the industry that the mustard oil production in the country is of the order of 1 4 million tonnes as against the demand for mustard oil placed at 9 lakh tonnes Thus there appears to be an excess of mustard oil production by 5 lakh tonnes It is high time to move in the direction of introducing and popularising refined mustard oil consumed in the country

We fully agree with you that the World Bank's assessment of the price support and buffer stock programme for edible oil is grossly biased towards their pet theme of free trade and ignores the field reality We believe that the stagnation in oilseeds production has resulted from lack of incentives to farmers for investment in better technology of oilseeds production Once prices are stabilised, better technological measures, already known and available within the country, will be adopted quickly by the farmers As such this will result in much higher productivity of oilseeds crop, without necessitating any area shift from wheat and cotton as is argued by the World Bank We therefore believe that the Bank's concern about there being a net loss in foreign exchange is unfounded It may be worthwhile to note that in major wheat growing areas like Uttar Pradesh, oilseeds production and area under oilseeds have in fact been falling in the last five years despite good prices for oilseeds

S T PHANSALE

Anand

SUBSCRIPTION RATES

Inland

	[illegible]	[illegible] and Nepal
Institutions	One year	Rs [illegible]
	Two years	[illegible]
	Three years	Rs [illegible]
Individuals	Single issue	Rs 140
	One year	[illegible]
	Two years	Rs [illegible]
	Three years	Rs 700

Concessional Rates

	One year
Teachers Researchers	Rs 200
Students	Rs 150

Concessional rates are available only in India To avail of concessional rates certificate from relevant institution is essential

Remittance by money order bank draft/postal order requested In view of [illegible] of collection charges by bank please add Rs 14 to outstation cheques

Foreign

	Annual	
	Institutions	Individuals
Surface mail (all countries)	US $ 60	US $ 40
Air mail		
Pakistan and Sri Lanka	$ 60	$ 40
Other Asian countries	$ 70	$ 60
Africa Australia Europe and Japan	$ 85	$ 75
South and North America and New Zealand	$ 100	$ 90

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On a Dangerous Course

WHATEVER be one's opinion about the LTTE's political ideology or its methods, there can be little doubt that its leaders have an abundance of political acumen which can turn even a defeat into a triumph of sorts At a time when it was wholly dependent on Indian support it sought to give the impression of having great faith in Rajiv Gandhi's initiatives, when it was left out in the cold by an accord which was a political necessity for Rajiv Gandhi and Jayewardene it promptly changed its tactics and became a lone fighter for Eelam betrayed by friends, and now when a desperate Premadasa put out an appeal for initiating a dialogue it not only agreed to come to the negotiating table but even declared first a ceasefire with the Sri Lankan forces and then a cessation of hostilities in return for being acknowledged as the key group in resolving the Tamil issue in the northern districts This in itself is an admission on Premadasa's part that the India-Sri Lanka accord was not grounded on realities and hence could never be successfully implemented

Not surprisingly, the Sri Lankan situation is rapidly deteriorating to its pre-accord norm Only now there is the additional factor of the JVP in the south and a growing economic crisis In the last couple of weeks at least two Tamil groups, EROS and TELO, have announced that they would take to arms again There have been reports of Tamil youth being forcibly recruited by militants and of the government of India clandestinely arming TELO to keep the pot boiling in north Sri Lanka The IPKF is going along its planned course of action ignoring the LTTE's offer of a ceasefire similar to the one it declared against the Sri Lankan forces That the IPKF's actions and campaigns have been unsuccessful in worsting the LTTE is clear to everyone concerned, but the myth of the Indian troops' presence being necessary for maintaining peace has to be kept up with widely publicised operations

The government of India in the meanwhile is following a highly dangerous path If it continues the same trend of moves and manoeuvres as in the past month, it will be squarely responsible for plunging Sri Lanka into a chaos worse than already exists Its refusal to withdraw the IPKF is pushing it into a thoroughly untenable position with the IPKF becoming something of an occupation force The Indian forces have no legitimate role to play in the affairs of the island nation now—in fact they never had And yet India is once again seeking to prop up yet another Tamil group, this time the EPRLF, just so as to create a situation which will justify the presence of the Indian army The EPRLF's shrill complaints against the Sri Lankan government's action echo the LTTE's noises in the past, though it is true of course that the Premadasa government has done little to hasten the devolution process But this is no reason for the continued presence of the IPKF, which was mainly for peace keeping operations Unless, because of the rearming of the militant groups, a situation is created which warrants the presence of a peace keeping force. It would be utterly foolish for India to let such a state of affairs develop Even the short-sighted pundits in New Delhi can, one hopes, see this There are several factors which contribute to the confusing picture For one thing the LTTE's declaration of a cessation of hostilities is not accompanied by any statement about laying down arms. In fact Ranil Wickramasinghe, the minister of industries in the Premadasa government, categorically stated that his government had not asked for the laying down of arms, but that the LTTE declaration implied such a sequel The IPKF has refused to consider the LTTE's offer of temporary ceasefire pending discussions This means that any attempt to heighten the tensions in the region will see the LTTE strong-arm in action once agin And then the resulting conflagration will be much worse than ever before.

There is another factor to be kept in mind The JVP-led mass agitations, it must be stressed, are not merely against the Indian presence in Sri Lanka While 'Indian imperialism', as the JVP terms it, is a major issue around which the people have been mobilised, reports of coercion notwithstanding, the substantive issues are rooted in the deteriorating economic situation Premadasa is well aware of this and has sought to defuse the agitation by acceding to the major demand for the withdrawal of the Indian troops, this being far easier than tackling the more fundamental economic issues which have been raised The IPKF withdrawal will buy him much needed time. But if the JVP is indeed leading a genuine mass upsurge, then the Premadasa government will have to face a period of growing tension, perhaps similar to the one which so many years ago pushed the JVP underground with Indian help In a manner of speaking, the IPKF is a minor issue to the Sri Lankan government The irony however is that the Indian state appears to be blind to the fact that what is happening in the south of Sri Lanka is of far greater significance to its regional power aspirations than the presence of the IPKF in the north

MINIMUM WAGES

Callous Delay

ACCORDING to press reports it has taken 12 years for the president to return a bill passed by the Kerala state legislature with his recommendations for some modifications. The bill passed in 1977 provided for the payment of minimum wages for casual, temporary and badli workers. The president has now directed the legislature to exempt all establishments belonging to or under the control of the central government from the provisions of the proposed law.

Even if about a third of the long period of the centre's callous inaction was accounted for by the Janata regime, the remaining eight years covered Congress rule, one half of which has been represented by Rajiv Gandhi's tenure. Taking for granted the unquestioned deficiencies of the Janata government, one cannot but wonder about the performance of the government which came to office with the promise to provide the country with a government that works, in the first instance, which in turn was followed the same party's government that boasted of its capability to work better. Tall and taller promises unmatched by appropriate actions in this case indeed by any action at all.

The president's directive which took 12 years to come raises not only the question of promptness or otherwise of action but also that of the government's socio-economic inclinations. Rajiv Gandhi has in the very recent period been shedding copious tears about the deprivations of the poor and marginalised population in both the rural and urban sectors. Yet his government sat for more than four years upon this bill touching upon the minimal welfare of the most marginalised sections of, generally, rural migrant into the urban areas, but also even more heartlessly excluded a section of this miserable mass – that is, those working in central government establishments – from the purview of the law. So much for Rajiv Gandhi's concern for the poor and the deprived.

The state governments under the Left parties have long been protesting against the constitutional provision that gives the president and state governors the powers to sit in judgment on the laws passed by the state legislature in certain cases. This constitutional provision may not be altogether dispensed with in our federal set up for the sake of guarding against the contingency of a state law which may be incompatible with or repugnant to the spirit of the polity or a major central law. As a result, there is the possibility of a central directive seeking a reactionary twist to a progressive state legislation. The remedy against this has to be sought in the mobilisation of public opinion in each specific case. But there can and should be some protection at least against the callous indifference of the centre as in this case of the 12 year delay in returning the Kerala bill. A bill if not returned after a specified and reasonable period should deemed to have got the requisite assent.

EDUCATION

Co-operative Colleges

M Shatrugna writes

IN its drive towards privatisation of higher education the Telugu Desam government in Andhra Pradesh had a couple of months ago enacted legislation to allow junior colleges (+2 stage) in the co-operative sector. Already 134 letters of intent have been issued and 75 colleges have started functioning all over the state. Called Sahakara Junior Kalasalalu, the colleges are in addition to the government run, government supported (aided) and private (unaided) colleges numbering 661 with an annual intake of 3.14 lakh students. According to a note on education submitted to the last session of the state assembly, the idea in permitting junior colleges in co-operative sector is to help the spread of higher education by supplementing the existing inadequate educational facilities. These junior colleges will be managed by local people through a managing committee in which the parents and donors would be represented. The co-operative colleges would be registered under the AP Co-operative Societies Act 1964.

As per the original scheme the Sahakara Junior Kalasalalu were to be located in those mandals where there are no facilities for higher education. The government after an enquiry found that out of a total of 1,104 mandals 686 mandals were without any educational facilities after the high school stage. A mandal on an average consists of 15 to 20 villages. As was to be expected, the 686 mandals without higher educational facilities are in some of the most backward areas of the state like Telengana and certain districts in coastal Andhra Pradesh like Srikakulam. Though the government's concern for providing higher education in the backward mandals is laudable, the solution it has devised is thoroughly inegalitarian and is likely to go against the interests of poor students as well as the teaching staff of these colleges.

While the rules for the establishment of co-operative colleges look fine on paper with such provisions as insistence on documentary evidence to the effect that the education society possesses Rs 5 lakh in a scheduled bank (for the construction of the college building) and five acres of land, etc, the catch lies in the manner in which finances are sought to be raised for the colleges. According to rule 21, the managing committee (MC) of the colleges has been left free to fix the fee structure. The criteria for admission (like marks obtained in the 10th class) are not spelled out. The usual reservations for SCs, STs and BCs are also not mentioned in the rules. In other words, whoever can pay can hope for admission. On a conservative estimate the per capita expenditure on a junior college student is Rs 1,500 to Rs 2,000 per year. So a co-operative college student would be charged not less than Rs 2,000 per year as tuition fees.

The other area of concern relates to the service conditions of the teaching and non-teaching staff. Rule 19 clearly says that appointment of the staff, both teaching and non-teaching, shall be outside the purview of Andhra Pradesh College Service Commission. At present recruitment of teaching and non-teaching staff in colleges is supposed to be undertaken by the two year old AP College Service Commission. The setting up of an autonomous College Service Commission had been one of the long standing demands of college teachers. After a long struggle by college teachers, the College Service Commission was ultimately set up two years ago, though it is yet to start functioning. Now the staff of the co-operative junior colleges has been explicitly left out of the purview of the commission.

As for salaries for the staff, the scales of pay are to be decided by the MC of the society from time to time, depending upon the financial position of the society. When even in the so-called private (unaided) colleges where the teachers are supposed to get government fixed rates but get paid only Rs 1,000 per month according to last year's market information) then one can imagine the plight of teachers in the co-operative colleges. At the same time teachers in these colleges will be governed by the code of conduct prescribed for teaching staff in 'other private junior colleges'.

Finally, a look at the location of the co-operative colleges shows that they are spread out all over the state and are not necessarily confined to the 686 backward mandals. Also, though out of the 75 existing colleges 42 are located in Telengana, not many are located in the backward mandals of the region. The "lack of enthusiasm" for co-operative colleges in the backward mandals indicates that the people in these regions are too poor to run the colleges on the lines laid down by the government. In other words, while the most needy areas go without higher education facilities, the societies in the richer mandals would make quick money

in the name of taking higher education to the backward regions

The facility of starting co-operative colleges is being extended up to the degree college level from the current academic year No new colleges (junior or degree) are to be permitted to be started in any sector other than the co operative sector Of course one or two colleges in the government sector may be started depending upon political compulsions On the whole, the policy is not to start any new college with state assistance thus implementing the recommendations of the notorious Vice Chancellors Committee (1986) which had suggested that no new college should be started with state assistance till the end of this century

EXPORTS

Relying on TNCs

SOME of the government's economic bureaucrats in the Planning Commission want to put the export objective above all other socio economic objectives They feel dejected that India has not yet been chosen by the transnational corporations (TNCs) for international sub contracting After all India possesses some of the advantages that TNCs seek in locating firms as sub contracting units low wage rates tax holidays EPZs repressive labour conditions provision for availing of economies of scale and so on Then why are the TNCs locating international subcontracting units more in Hong Kong South Korea Singapore Taiwan and Malaysia?

Indian manufactured exports are still concentrated in garments and leather and leather goods But these are the old labour intensive industries The economic bureaucrats want India to become a significant exporter in the new labour intensive manufacturing industries like electronics and light manufacturing

International sub contracting is basically a relationship between a TNC (in trading and/or manufacturing) and either its subsidiary/affiliate a joint venture or an independent third world producer which is geared towards meeting demand in the developed capitalist economies (DCEs) The TNC affiliate/subsidiary, joint venture or independent producer produces finished goods, components or services for the markets of the DCEs Final marketing is controlled by the TNC together with, more often than not, the provision of technology, capital equipment, loan capital and management services The economic bureaucrats of the Planning Commission presumably do not place much faith in the joint venture or the independent producer, for in times of cyclical recession exports may be slashed They favour a reappraisal of the Foreign Exchange Regulation Act (FERA) to allow the TNC affiliates/subsidiaries to have a field day Will this bring foreign direct investment into such areas as semi conductors, engineering goods, electronic memory circuits etc? Even if this does materialise, the experience of the south east Asian economies shows that there will be minimum backward and forward linkages

PRISONERS

Violation of UN Code

PROLONGED silence can push a fact into oblivion and turn it into something which never happened Very few people in our country remember the fact that India at one time signed the United Nations Standard Minimum Rules for the Treatment of Prisoners (adopted on August 30 1955) The horrendous conditions in which prisoners are kept in our jails are occasionally revealed in the press thanks to some enterprising social activist or investigative reporter But it is seldom pointed out that the prevalence of such conditions is in direct violation of the UN Rules to which our government is a signatory and that it is the responsibility of the UN Human Rights Commission to inquire into cases of such violation

The latest case is that of the two Bombay college teachers –Dalip Singh vice principal and head of the History Department of Khalsa College and Jagmohan Singh of the Department of Commerce of Ex Hind College both of whom are lodged in Tihar Jail in Delhi for the last two months in connection with the Indira Gandhi assassination case It is known by now that both of them are well known activists in the civil liberties movement in Bombay and their arrest has evoked protests from people of all walks of life who suspect that they are being hauled up on trumped up charges because of their association with the civil liberties movement

A letter from them smuggled out from Tihar Jail recently reveals the plight they are facing Under Rule 84(2) of the UN Rules, all unconvicted prisoners are presumed to be innocent and should be treated as such Neither Dalip Singh nor Jagmohan Singh has been convicted as yet Still, they are being lodged in the condemned death cells known as 'Kasuri Ahatha' These cells are less than 50 steps away from the gallows where Satwant Singh and Kehar Singh were hanged Is it a deliberate attempt to demoralise them psychologically?

Adequate facilities for accommodation, personal hygiene and food, as well as medical facilities, should be supplied to the prisoners in accordance with Rules 10, 11, 12, 20 and 22 of the UN code for treatment of prisoners In flagrant violation of these rules, the two prisoners are given dirty food, denied any utensils, provided daily with only two buckets of water and one small pitcher with which they have to make do in the Delhi summer, and refused medical treatment (for Dalip Singh who suffers from diabetes and high blood pressure)

Under Rules 90 and 92 of the UN code, an untried prisoner is allowed books, newspapers writing materials and other means of occupation In Tihar Jail, newspapers seldom reach the two prisoners– and even when they do, the papers are not of their choice Their religious scripture, Guru Granth Sahibji, is apparently regarded as 'subversive' by the jail authorities, who confiscated it when Dalip Singh's relatives brought it for him to the jail Following a hunger strike by Dalip Singh and Jagmohan Singh in protest after three days the book was returned to them but without the holy robes which are a part of any copy of the religious scripture

Let us add that all these things are happening in spite of an order by the chief metropolitan magistrate granting both the prisoners B class facilities—facilities in conformity with the above mentioned UN Rules –which are systematically being denied in spite of repeated requests made by the two prisoners to the chief metropolitan magistrate and the district sessions judge of Tis Hazari Courts In a situation where the executive and judicial authorities cannot – or will not— see to it that their own orders are carried out by the jail authorities what course of redressal is left open to the prisoners?

TRIPURA

Growing Lawlessness

VERY few in India would take seriously the dramatics of a comic opera character like Kalpnath Rai the union deputy minister (or has he been recently promoted to the next higher rank for his services to the boss?) Even then lest his recent fulminations about the 'law and order situation in West Bengal succeed in misleading some people a section of his fellow partymen in Tripura have rendered a conscientious service to the cause of creating an informed and balanced public opinion by exposing the real situation in their Congress(I)-ruled state They have highlighted, according to a press report, "rampant corruption' of the ministry as well as the administration and the "increasing lawlessness in the state." In a memorandum to the party high command, they have complained about an attack by the supporters of the chief minister himself on a police station and their beating up of some policemen there. They

have also referred to a case of abduction of a girl student at revolver point by "young men among whom were a leader of the State National Students' Union of India and several others identified as the chief minister's proteges" Citing some other specific cases the report concluded, "crimes against women are on the rise throughout the state'

While all this may serve to prick the bubble of the righteous indignation publicly exhibited by some Congress(I) politicos about the by no means ideal law and order situation in states run by non Congress(I) parties this is most unlikely to persuade the Congress(I) supremo to take any corrective action in Tripura Firstly as a newspaper says there is no prospect of an alternative within the Congress(I) fold in the state secondly the paper thin majority in the state assembly presently enjoyed by the Congress(I) TUJS coalition which is actually based on a minority of popular votes is too precarious to withstand even the slightest rocking by the leadership

POLITICS

Was It Necessary?

A Correspondent writes

THE West Bengal chief minister's "respectful homage" to Indira Gandhi when unveiling her majestic portrait at the Calcutta Raj Bhawan on June 15 cannot but raise some eye brows along with a number of questions

First of all was it really binding on a CPI(M) politburo member as a part of his constitutional duty as the Left Front chief minister of West Bengal to undertake this ceremonial function? Or did he do this because of his personal predilections and inclinations?

Secondly, is it permissible for a top communist leader to be guided by his or her personal equation with a bourgeois political leader with the type of political reputation that the late prime minister enjoyed and more particularly with the stigma that the chief minister's own party the CPI(M) attaches to certain crucial periods of her political career?

Thirdly, is it a matter of a certain pride for a communist leader of Jyoti Basu's status to proclaim that "the relationship between Shrimati Indira Gandhi and people like myself in the opposition parties did not sour despit the political differences that we had", particularly in the context of her Emergency and post Emergency policies and actions on the home front?

It would be interesting, if not enlightening as well, if someone on behalf of Jyoti Basu or his party would respond

BUSINESS

COTTON

Lost Opportunity

THE 1988-89 cotton season which has only two months more to go offers an interesting study Rarely—not in the near distant past anyway—has the official wholesales prices index for raw cotton been known to have moved in so narrow a range as it has this season—around 13 per cent against 22 1 per cent in 1987-88, 106 8 per cent in 1986 87, 27 2 per cent in 1985-86 and 22 7 per cent in 1984-85

Excepting extra long staple cotton which is currently quoted higher by about 14 per cent, the ruling prices of different varieties of cotton are lower by 5 per cent to 10 5 per cent compared to the prices which prevailed at this time a year ago, reflecting improved supply in the face of record mill consumption Even though the carryover stock of cotton at the end of August is unlikely to be any different from the opening stock, representing less than three months' consumption, the textile industry does not seem the least bothered about the supply and/or prices of cotton Nobody really expects the market to develop the firmness associated with the lean period

An outstanding aspect of the cotton scene which has been the subject of an animated debate in market circles is the government's utter failure to avail of the extraordinary opportunity for exporting cotton, especially long and extra long staple cotton Indeed, never before has the international environment been so very favourable with the spread between cotton prices at home and abroad ranging between 20 cents and 40 cents a kg in respect of Bengal Deshi and between 60 cents and 80 cents a kg for extra long staple cotton Even so, the export quota for one lakh bales each of Bengal Deshi and extra long staple cotton is not likely to be fully utilised According to knowledgeable sources, export of Bengal Deshi cotton is not expected to exceed 65,000 bales and export of extra long staple cotton might not reach even 40,000 bales

Undue delay in the announcement of minimum export prices which were fixed arbitrarily in complete disregard of the prices prevailing in the highly competitive overseas markets encouraged unscrupulous elements in the private trade to indulge in all sorts of malpractices in negotiating export deals with the result that neither the experienced traditional exporters nor the CCI and the other state/co-operative agencies could participate in this highly profitable export business

Representations for revising the minimum export prices to realistic levels have so far evoked only muted response. Reports are that the government is not favourably disposed to lowering the MEP for Bengal Deshi presumably on the specious plea that the country will have exported more deshi cotton than in the recent past but there is every possibility of the MEP for extra long staple cotton being reduced from the present $ 4 to $ 2 80 a kg The revised MEP for extra long staple cotton will certainly facilitate negotiation of fresh export business but prospects of achieving the one lakh bales target are generally rated low as the overseas buyers have already covered most of their immediate and near term requirements

It would be unfortunate if the various acts of omission and commission did not bring home to the government the imperative need to evolve a dynamic export policy as this may well have a crucial role to play in bringing about a better balance in the overall supply-demand equation as also in rectifying varietal imbalance resulting from the breakthrough in the production of long and extra long staple cotton which has of late been accounting for nearly 50 per cent of the total cotton output

With the meteorological department forecasting a normal monsoon—the progress of the south-west monsoon has been quite satisfactory so far—the view is widely shared that cotton production could easily set a new record, decisively exceeding the 107 lakh bales mark established in 1985-86 if weather conditions remain favourable and timely measures are taken to minimise the impact of pest infestation But should the next crop turn out to be really a bumper one, it could precipitate a 'crisis of plenty' if the government is not fully prepared with an appropriate policy package to deal with the emerging situation One can take the view that because of the very hefty hike—Rs 100 a quintal—in the support prices of kapas after 1987-88, the government may have to resort to procurement on a massive scale to maintain prices at or above the official support level Political compulsion will demand effective market intervention In 1985-86, price support operations had cost the CCI a loss of about Rs 60 crore and the Maharashtra Federation lost over Rs 300 crore, monopoly procurement having assumed the form of price support operations It needs to be noted that the ruling prices of cotton are substantially above the support prices fixed for the

1989-90 season, with medium and long varieties quoted 30-40 per cent higher and extra long staple cotton about 80-90 per cent higher How cotton prices might behave in the event of a bumber harvest is difficult to forecast It would be rash to draw any firm conclusions about prices based merely on the size of the crop The 1988 89 crop is only three lakh bales lower than the previous record harvest in 1985-86 but prices this season have ruled substantially above those in 1985 86, with the wholesale price index for cotton moving between 274 7 and 310 whereas in 1985-86 it had moved between 223 9 and 163

Factors influencing the course of prices are many, the two major factors being the state of the textile industry and export policy for cotton Unlike in 1985 86, the cotton textile industry is doing pretty well With good domestic and overseas demand for yarn as well as fabrics (including readymade garments) mill consumption of cotton can be expected to show a further increase And as for export of cotton all indications point to a favourable global outlook Much would of course depend on government policy and how it goes about implementing it New Delhi could not possibly have envisaged a better opportunity for exporting cotton this season and it could not have done more harm to the cause it has been seeking to promote

RAILWAY AN

Catching-Up Game

TO repair the damage done by decades of neglect, the working group on railways has recommended an outlay of Rs 41 600 crore for the Eighth Plan—two-and a half times the Seventh Plan allocation of Rs 16 538 crore The main thrust of the next plan of the railways should be to generate adequate line, terminal and rolling stock capacities, complete the process of rehabilitation, replacement and renewal of overaged assets, modernise and technologically upgrade the system to achieve cost reduction, progressively electrify high density routes, improve the quality of passenger and freight services and develop a perspective research and development plan

The working group has projected railway freight traffic to increase to 445 million tonnes by the end of the Eighth Plan from the expected level of about 345 million tonnes at the end of the Seventh Plan Passenger traffic has been estimated to grow at the rate of three per cent per annum to a level of 4,725 million passengers by 1994-95 Correspondingly, the freight and passenger traffic output is projected at 330 billion tonne kms and 322 2 billion passenger kms by the end of the Eighth Plan

To cope up with this increase in freight and passenger traffic and transport outputs, the working group has recommended development of transport capacity by acquisition of 753 electric locomotives, 1,130 diesel locomotives, 12,100 coaches 1,500 EMU-type coaches and 1,93,200 wagons To generate adequate ground capacities the working group has recommended an investment of Rs 5 100 crore in various traffic facility works like doubling of 2,400 kms of tracks, gauge conversion of 2 100 kms and development of terminal and other line capacities

As part of the overall plan, production of concrete sleepers which was 35 lakh pieces in the Sixth Plan, is expected to go up to 118 lakh in the Seventh Plan and 235 lakh in the Eighth Plan Production of coaches which was 5 326 in the Sixth Plan is expected to rise to 6 700 in the Seventh Plan and 12 100 in the Eighth Plan In view of the urgent need to upgrade technology as also to rehabilitate and replace overaged assets the group has recommended an extensive programme of track rehabilitation (23 500 kms) and modernisation of workshops and of various plants and machineries

The ambitious plan recommended by the working group will require the final approval of the Planning Commission Given the resources constraint one need not be surprised if there is some cut effected in the outlay recommended by the working group It also needs to be stressed that in real terms the outlay will turn out to be much less assuming an annual inflation rate of even 6 7 per cent

Because of the resources constraints and the competing claims on available resources, the railway system has not grown much during the last 40 years While the traffic has increased five fold during this period the railway system has registered a growth of only 16 7 per cent thereby leading to very intensive use of the existing corridors Particularly between 1965 and 1980 the railway system had fallen into a state of disrepair causing a number of accidents of a serious nature and creating bottlenecks in the movement of goods and services The process of rehabilitation began only during the Sixth Plan but the pace has been slow till 1985-86 It has gathered some momentum during the last two years The working group has estimated that the recommended outlay is essential to make a meaningful start so that at least by the turn of the century the arrears of replacement/rehabilitation of overaged assets are made up and some progress is made in the construction of much needed new lines The group has proposed construction of 3,335 kms of new lines during the Eighth Plan against 936 kms expected during the Seventh Plan

TWENTY YEARS AGO

EPW, June 28, 1969

Recent developments in Vietnam appear to have raised hopes in New Delhi of an active Indian role in the negotiations comparable to that in the Korean armistice and the Geneva agreement in 1954 Unfortunately, our credentials for playing the honest peace-broker must appear somewhat less than satisfactory to North Vietnam It is a fact, for instance, that government of India forbade all trade with North Vietnam even though strategic items like steel and heavy vehicles were permitted to be exported to South Vietnam The official reason given for the embargo on exports to Hanoi has been the need to prevent strategic materials from reaching China through North Vietnam, but of course the real explanation is our anxiety not to incur the wrath of the United States Carving out spheres of influence is a feasible and worthwhile proposition in the stable conditions of Europe, but not in those of Asia—whether west south or south-east There is a lesson for us as well in our recent experience with Nepal

★ ★ ★

Crude oil is in the news again Government is trying to pressurise the three private oil companies to reduce the price of imported crude from $ 1 38 to $ 1 28 per barrel A British firm of consultants might be engaged to advise on the selection of a contractor for offshore drilling in the Gulf of Cambay The ultimate aim in both cases is, one presumes to make crude oil available to the refineries at the least price A solution can be found which reconciles both these problems If a foreign oil company gets a drilling contract in the Gulf of Cambay, with participation options in production, it would almost certainly take it Tenneco, for example, might tie up with any of the three refining companies Thus government will not run any financial risks in exploration, it can insist on Indians being trained by the first company, and it can develop additional offshore wells later by buying new, technologically correct rigs The new oil can be purchased at a reasonable price by the collaborating refinery, which can be permitted to expand to a corresponding extent Payment for this crude will be only partially in foreign exchange for a limited period, say 7 years This will serve all the obvious objectives of India's nebulous oil policy, the first of which should be to cut down on crude imports of Rs 85 crore per year

BALLARPUR INDUSTRIES LIMITED

NOTICE

It [illegible] for the [illegible] of the public that **Ballarpur Industries Limited** proposes to make a joint application with [illegible] the Central Government in the Department of Company Affairs New Delhi under sub-section (2) of Section 23 of the [illegible] Trade Practices Act 1969 for approval of the scheme of amalgamation of Jg Glass Limited with it

Brief [illegible] under

[illegible]	1 **Ballarpur Industries Limited** Regd Office PO Ballarpur Dist Chandrapur Maharashtra Head Office Thapar House 124 Janpath New Delhi 2 **Jg Glass Limited** Regd Office Survey No 197 198 Bombay Pune Road Pimpri Pune 411 010
ii) Management [illegible] of the undertaking(s) proposed to be merged [illegible]	Jg is a subsidiary of BILT and is managed by Shri S K Gupta Manager appointed by the Company in terms of Section 2(24) and 269 of the Companies Act 1956 subject to the Superintendence control and direction of the Board of Directors comprising of the following 5 Shri Surendr Lall 6 Shri [illegible] C Nanda (ICICI Nominee) 7 Shri [illegible] N Tandan 8 Shri [illegible] M Thapar
iii) [illegible]	Authorised Share Capital Rs 10 00 00 000 Issued and Subscribed Rs 6 06 54 960 Paid up Rs 6 06 15 273
iv) Pr[illegible] of the undertaking proposed to be merged [illegible]	To manufacture and deal in glass containers vials and pharmaceutical bottles
v) Brief particulars of the proposed scheme of merger amalgamation [illegible] the object [illegible] proposed to be achieved	Jg is a subsidiary of BILT Jg s operations have not been self sustaining and it has had to depend heavily on support from BILT including cash injections and securities for Loans by way of corporate guarantee collaterals In addition BILT has also extended Managerial and Marketing support for almost the entire production Jg s operations can be made financially viable on a long term basis only if substantial funds are injected It is therefore proposed to amalgamate Jg with BILT effective 1st July 1988 which is in the public interest for the following reasons 1) It would ensure the long term viability of Jg which is not possible otherwise 2) Provide continued employment to about 1851 people 3) No disruption of ancillary industries most of whom are in the small scale sector and are completely dependent on Jg 4) Two major Public Sector Companies viz Indian Drugs and Pharmaceuticals Limited Rishikesh and Hindustan Antibiotics Limited Pune are dependent on Jg for upto 60% of their requirement of vials These Companies are engaged in the manufacture of bulk drugs and other essential pharmaceuticals and stoppage in supplies by Jg would adversely affect operations of these Companies
vi) Details of the exchange ratio consideration proposed for shareholder creditor of the amalgamation/merged undertaking	Issue of one BILT Equity Share of Rs 10/ fully paid up in exchange of 20 Equity Shares of Rs 10/ each fully paid up held by Shareholders of Jg

2 Any person interested in the matter may make a representation (in quadruplicate) to the Secretary Department of Company Affairs Government of India Shastri Bhavan Dr Rajendra Prasad Road New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

For **BALLARPUR INDUSTRIES LIMITED**

Registered Office
PO Ballarpur
Distt Chandrapur
Maharashtra

VIRENDER GANDA
SECRETARY

Dated this 28th day of June 1989

The Panchayati Raj Bill

Arun Ghosh

While the motives of the government in precipitately introducing the Constitution (64th Amendment) Bill may be suspect and while some of the provisions of the bill may be objectionable, the introduction of the bill is a highly desirable development, the full implications of which may not have occurred to those who have drafted it

NEVER mind the motives of the administration in suddenly springing in an election year the Constitution (64th Amendment) Bill All governments all over the world can legitimately be expected to seek the maximum political mileage out of their legislative proposals and executive actions Never mind that such a momentous constitutional amendment has been proposed in an election year with little national debate and in a blatantly partisan manner The real issue before parliament before the country is not the election gimmickry behind the proposals but whether the proposals are in the (longer term) interest of the country In other words is the proposed constitutional amendment desirable? Are there any serious flaws in the bill as presented to parliament? What should be the approach and attitude of the people generally of the elected members of parliament, and of the state legislative assemblies to the proposals?

Let me start by repeating the reaction of many responsible people (who are in principle in favour of greater decentralisation) to the proposal to instal panchayati raj through a constitutional amendment at this juncture First, it is felt that in the context of the extant property relations and power structure in the rural areas, the proposed constitutional amendment will only add to the exploitative powers and capability of the elite in the rural areas More ominously, it is felt that the proposals will take down to the villages the nepotism, casteism and corruption that we see at the national and state level Instead of spearheading local level development through the panchayats, it is apprehended that there will emerge accentuated in-fighting and local chauvinism, which will spell an end to any national consciousness, national planning, national unity and integrity Indeed it is possible that in the sarpanch of each gram panchayat, we are creating a large number of little Hitlers, and that this step will give a boost to centrifugal forces and militate against central, and more particularly, against state authority It is also felt that the proposals will accentuate regional disparities in income and employment, at the same time creating fresh impediments against the migration of labour Finally, to revert back to the first point, it is apprehended that all the gains from plan outlay will now flow to the sarpanch, his family his friends and his supporters, thereby accentuating the unequal distribution of income and wealth in the country

True all the above dangers exist in some degree Indeed the seeds are already there, many of the current happenings in the countryside already reflect some of these tendencies However, the question to be examined dispassionately is are these (sometimes latent) forces which reflect casteist, religious, sectarian prejudices likely to gain support from the proposals currently mooted? Are there any possible safeguards and if so what are they?

Panchayati Raj and Local Power Structure

Let me first examine the question of land reform After forty two years of independence what is the situation in regard to land reform in the country? Apart from one or two states, land reform is not even talked about There is, in fact, a strong body of opinion which purports to state that the green revolution having succeeded in states which have not pressed on with land reform, the need for agricultural growth rules out any further pursuit of land ceilings and of land reform, and that in fact the clock ought to be put back in the interest of encouraging capitalist agriculture Anyhow, the short point is that the required political will to press on with land reform is today totally lacking

Land reform, then, is not on the agenda What is the solution? Do we, in the event, decide that in the absence of land reform, the depressed and deprived sections of the population will have a better chance of some redress for their situation from a strong centre or a strong state government? In short, do we really believe that the *status quo* is the best answer to the problems of the poor?

In pursuing the above line of thinking, we forget that with the revolution in communications, the poor are not necessarily a docile group today If we read stories of occasional massacres of Harijans, tribals and other depressed sections of society, if we read of entire villages being rased to the ground, it is because the poor have started resisting the demands of the rich and the elite in the countryside. And on occasion, terrible reprisals are taken against them with the covert assistance of the guardians of the law And, on such occasions, have the supposedly independent central or state authorities done anything to protect the oppressed except to send in forces to restore order after the event?

Is there any valid reason for assuming that things will be any the worse with increasing decentralisation of power and authority to the local panchayats? Is it not possible that these local (depressed) groups have a better chance of organising themselves, and of resisting the elite, in local level panchayati elections? These local groups may not be able to win an election to a distant parliament, and even a state legislative assembly But they may be able to capture quite a few panchayats, and certainly achieve significant representation in a large number of gram panchayats Of course, one presumes that booth capturing and similar strong-arm tactics would not be permitted, and to the extent that even the panchayati elections are to be regulated by the election commission, it is to be hoped that such tendencies would be minimised

Let us also not forget the role of both political parties and in a few areas, of voluntary organisations These latter are by and large locally based, each organisation in a designated district, sometimes a few blocks or even villages They are, as of today, largely apolitical, manned by a few dedicated souls, endeavouring to bring about social and economic change in the limited areas of their operation, although there also exist a few which are really 'fronts' for the elite and the politically ambitious But the responsibility of the political parties is patently clear In fact, the panchayati elections—with promise of future funding of local level development through the panchayats—offer a golden opportunity to all leftist organisations Should they not endeavour to see that the right people get elected to the panchayats? And, among other things, what they need to do is to use their local influence to ensure that the elections are free and fair, and that the right people get elected to the panchayats

In fact as a result of both the development of communications, and the awakening of the masses and their growing political consciousness there is a strong possibility that a large number of really independent minded representatives of the poorer sections of the population may get elected to the gram panchayats

Of course one should not rule out the possibility of the elite the landlord cum moneylender sections getting further entrenched in quite a few areas Perhaps the greatest danger of that type of development comes from the Hindi heartland – Bihar, UP Haryana Rajasthan and Madhya Pradesh But even in these states the rich and the elite in the rural areas are not likely to have plain sailing everywhere There is likely to emerge a fairly bitter struggle The fact that Kanshi Ram could come second to V P Singh in the Allahabad parliamentary constituency beating the Congress(I) candidate hollow should be an eye opener to all there would certainly emerge many Kanshi Rams who will seize power and authority at the local level panchayati elections if and when they take place after the constitutional amendment that is when the panchayats begin to wield real authority

There would also arise conflict bitter armed struggle in many areas Some people would get killed But let us face it the oppressed in the villages are dying a slow death every day even now frequently a violent death We got our political independence cheaply and we will probably have to pay a price now in the coming years for achieving real democracy for attaining economic independence for the vast masses of the people This is probably inevitable and let us not get overly worried if such occurrences cannot be avoided in some areas After all people in authority rarely give up their positions without a fight and if the fight gets to be acrimonious more particularly if the fights get reported– when the daily excesses and injustice meted out to large sections of the population never get reported– we should not imagine that the end of the world (or the end of India as a democratic country) has come

This is the broad answer to the question of the desirability of introduction of panchayati raj in the absence of land reform We cannot wait for land reform because the extant power structure at the state level will not permit, in most parts of the country, the implementation of even the existing provisions of the statute on land ceilings and redistribution of ceiling surplus land The introduction of panchayati raj can, in fact, help to bring about better mobilisation and organisation of the masses of people in the rural areas

Incidentally, the political parties have a great deal of responsibility in future It is not the Congress(I) Party alone which has lost contact with the masses, other political parties also seem to be drifting away from mass contact and mass political activity They must change their thinking their work procedures, they must go back and start the process of politicisation of the masses not necessarily on the basis of highly monolithic centralised directions but on the basis of broad overall party principles but with an eye to local needs and local aspirations Certainly the left parties must renew mass contact and mass propaganda activate the masses build up local level leadership and guide them in the panchayati elections to come In fact that may well presage a major change in the character and functioning of the democratic polity of the country as a whole and may well lead to the development of truly all India parties at a national level based on clear cut economic thinking and strategies To the opposition parties the proposed Constitution amendment bill is an unexpected and unique opportunity which they must not let go out of their grasp

To briefly sum up the above argument even though the motives of the present government in precipitately introducing the Constitution amendment bill may be suspect and even if some of the extant provisions of the bill may be objectionable the bill may still be deemed to be a highly desirable development the full implications of which may not have occurred to those who have drafted it But then after all we are really concerned with the results and the results only

How does one react to the various provisions of the bill as presented to parliament? This is where a great deal of clear thinking is necessary and the past experience of state which have operated the panchayati raj (in varying degrees) must be brought to bear while evaluating the different clauses and seeking either their ratification or amendment and perhaps even some further provisions to ensure the success of the experiment

Need for Flexibility

The first issue is to recognise the need for flexibility In particular the states which have already introduced panchayati raj– West Bengal, Karnataka and Andhra Pradesh among others may be deemed to have done so on their own—should not be required to re order panchayati elections in terms of the proposed bill Some of the provisions of the bill are directly antithetical to the system currently in operation—with considerable success—in some states, and these should not be disturbed One should therefore be careful about not imposing the same pattern throughout the country The above two points may be briefly summed up as follows First, it is not necessary for all states to have a three-tier system This is already recognised, and there is provision that some of the smaller states need not have an intermediate tier But sometimes they need not have panchayats at the higher or district level because some of the states are smaller than some districts in thickly populated parts of the country For example, in Tripura—before the advent of the present Congress(I) government which dismissed a superbly conceived panchayati system immediately after coming to power on a wafer thin majority – there were in the past gaon sabhas and zilla parishads (with three districts) The system was working well, and it is possible that some (smaller) states may have gaon sabhas (or gram panchayats) and block level panchayat samitis (or mandal panchayats) without a district level zilla parishad The present hankering for a district government with a district magistrate somehow keeping communication lines with the centre, has no merit a state like Goa is virtually little more than a district after all Thus the proposed sub clause 3(a) of clause 243(A) (of the Constitution) needs a specific amendment to provide the requisite flexibility

Equally there is little point in insisting (*vide* sub clause 3(c) of clause 243(A)) on members of the House of People and the members of the legislative assembly of the state representing constituencies which comprise wholly or partly a panchayat area at a level other than the village level [being automatically made members] in such panchayat Why should a member of parliament representing say Faridabad be necessarily made a member of the Faridabad (block) panchayat samiti (or mandal panchayat)? If the analogy were to be carried over to the urban areas, would it be desirable to make say Jagdish Tytler representing a part of Delhi in parliament a councillor of the Delhi Municipal Corporation? He will have no time and yet he would wield enormous clout, and exercise patronage in regard to the disbursement of funds or favours Either a member of parliament is concerned with overall national matters or with purely local matters This is an objectionable clause and needs to be deleted (even though such deletion would now be opposed by all members of parliament)

Secondly, there is no merit in uniformity being imposed on all panchayats in terms of clause 243(B) concerning the composition of panchayats Sub-clause(2) mentions that "all the seats in a panchayat shall be filled by persons chosen by direct election from territorial constituencies in the panchayat area " Now, in this context, let us recall that Mahatma Gandhi envisaged the successive layers of panchayats to be wholly based on indirect elections, thus gram panchayats would

send representatives to panchayat samitis and the latter would send representatives to the zilla parishads Also, the extant legislation in West Bengal makes for a combination of direct and indirect elections all the pradhans of gram panchayats are automatically members of the panchayat samitis and the sabhapatis of the panchayat samitis automatically members of the zilla parishads There are some other directly elected office bearers but basically the composition of the successive higher bodies is based on indirect elections There is no reason now to force a change in the system in West Bengal which has worked well In fact even if there is no agreement as to the desirability of indirect elections there should be provision for flexibility and states which have operated the panchayati system successfully should not be required to suddenly change the system and to order fresh panchayati bodies

The same goes for the reservation of seats as per clause 243(C) For example in West Bengal the system has worked well so far without the type of reservation sought to be introduced and there is no reason now for an outside authority to impose a feeling of separatism where none exists In fact it should be remembered that scheduled caste people tribals are usually concentrated in certain areas and they are bound to emerge as powerful in certain gram panchayats (or gaon sabhas) If adequate authority and finances devolve to them that in itself would be an excellent forward step The reservation of seats has not led in the past to the election of vocal or articulate representatives of the depressed sections of the population in any election

There are other objectionable clauses The Eleventh Schedule (Article 243E) is all embracing it is practically synchronous with the functions of the states (as laid down in the Constitution) There is need for more cogent thinking and in this context there is need for thinking in regard to first, further devolution of responsibilities from the centre to the states There is no mention of that anywhere, and the functions now envisaged for the panchayats may be too much for the latter to discharge That could lead to confusion For example, panchayats are to be responsible for rural electrification including distribution of electricity The example given above is merely indicative of the haste with which the bill has been drafted, with no very clearcut thinking as to the powers, functions and responsibilities of the panchayats, no clear idea as to the requirements of funds, of personnel, of organisational capability to discharge the functions Thus, one has to be careful not to run to the other extreme, at the expense of all benefits of centralised planning, but then, perhaps the idea at the back of the mind of the drafters of the present bill has been to seek to establish a direct link between the centre and the districts, bypassing the state governments This cannot be allowed to happen We need genuine decentralisation, and, therefore while supporting the bill generally one must point out the deficiencies which need to be remedied in order to make for genuine panchayati raj development

There are two other clauses which need rethinking First the form of accounts and audit (Clause 243H) is to be laid down by the governor on the advice of the CAG But why the governor and not the state governments as for other clauses? Secondly the bill is not to apply to certain states and areas Not only are the north eastern states to be excluded the autonomous hill districts of the north eastern states as well as the areas covered by the Gorkha hill district council in Darjeeling are to be kept out of the provisions of the panchayati raj system But the rationale of this policy is not clear unless the hill people are to be kept tied to the apron strings of the centre Why should these areas not have internal democracy? Is Jamir to be the sole arbiter of Nagaland Lalthanhawla of Mizoram and Ghising of Darjeeling? Is the centre afraid that panchayats in Nagaland and Mizoram may be captured by Vimuzos and Laldengas men? The rationale of the present approach is not clear Farooq Abdullah's J and K government has passed an Act (under the J and K Constitution) ushering in panchayati raj in that state The state has many more problems than Nagaland and Mizoram (so far), and if J and K can have panchayati raj why not Nagaland and Mizoram? As a matter of fact these areas have a much more democratic society and social polity than the rest of India and they deserve funding for decentralised development much more than any other part of India

There is one particular point on which the proposed bill should take the cue from the system operating today in West Bengal All decisions in all panchayats (right from the gram panchayat upwards) are taken on the basis of *consensus*, and the formal position is that the majority would decide on issues which are debatable or are debated The pradhan of the gram panchayat though doubtless a leader, is essentially the spokesman, he may guide and influence his colleagues but he is not the sole arbiter More importantly, all decisions of all panchayats must be hung up on the notice board of the panchayats for all to see The accent is on 'open administration'

The procedure has had a salutary effect on the functioning of the panchayats in West Bengal, and should be emulated, and the procedure sanctified by legislative provisions The sarpanch should not have the sole authority over all decisions, whether as to the identification of beneficiaries of programmes or the disbursal of funds or the drawal and implementation of schemes of development He will in any case wield greater influence than the others More importantly there should be wide publicity given to all decisions, information should be freely available so that decisions taken are kept under proper scrutiny by the people

Potential for Genuine Democracy

To conclude then, perhaps it is necessary to emphasise only two points First no matter what the motives of the present administration in pitchforking the Constitution (64th Amendment) Bill, the introduction of panchayati raj is likely to be a good thing for the country In fact, those who have spearheaded it may not be fully aware of the implications of what they are doing, they are bringing about conditions which would eventually result in the introduction of real democracy in the country The process is not going to be smooth, and the vested interests will certainly endeavour to grab power in the panchayats —they may even succeed for a while in certain areas—but the masses of people cannot and will not be kept down To that extent this is a truly historic bill

Secondly the bill as at present drafted has some serious flaws These need to be corrected and the opposition parties need to focus on the specific lacunae in the bill, some of which have been indicated earlier In fact what we really need is a *minimum* set of Constitutional provisions to ensure (a) regular panchayati elections, (b) strong deterrents to their arbitrary dissolution (of the type witnessed in Tripura recently), and in any case, the holding of fresh panchayati elections within six months, the newly elected panchayats being given a term of five years (and not merely the remainder of the term of the dissolved panchayats, as now proposed) and (c) devolution of both finances and authority successively from the centre to the states, and from the states to the panchayats One could add that to the extent possible, indirect elections to the higher panchayati bodies should be encouraged

All of us need to take a constructive and positive approach, and the occasion should be used for extracting the maximum of genuine devolution of authority The bill is likely to bring about a genuinely decentralised administration provided that people are watchful, which again is the essential requirement of democracy But with the amendments suggested and, more particularly, with continuing vigil on the part of all, the bill has the potential of bringing about genuine democracy in the country and it is to that end that we need to concentrate our attention and effort

STATE BANK OF BIKANER AND JAIPUR

ABRIDGED BALANCE SHEET AS AT 31ST MARCH, 1989

(RUPEES IN LACS)

31 12 1987	CAPITAL AND LIABILITIES	31 3 1989	31 12 1987	PROPERTY AND ASSETS	31 3 1989
2080 00	Subscribed and Paid-up Capital	2080 00	39747 90	Cash	93863 92
			Nil	Balance with other Banks	Nil
560 20	Reserve Fund & Other Reserves	1217 28	Nil	Money at Call and Short Notice	Nil
			50881 01	Investments	63804 82
165139 86	Deposits and Other Accounts	190319 15	89719 57	Advances	121607 12
16053 37	Borrowing from other Banking companies, Agents, etc	20049 56	5391 68	Bills Receivable being Bills for Collection as per contra	5381 66
1502 65	Bills Payable	1230 98	2540 04	Constituents, Liabilities for Acceptances, Endorsements and other Obligations as per contra	5512 07
5391 68	Bills for Collection being Bills Receivable as per contra	5381 66			
7360 31	Other Liabilities	77505 61	470 81	Premises	706 87
2540 04	Acceptances, Endorsements and Other Obligations as per contra	5512 07	509 21	Furniture Fixtures and Vehicles	676 41
0 04	Balance of Profit	0 04	11367 93	Other Assets	11743 48
200628 15	TOTAL	303296.35	200628 15	TOTAL	303296.35

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD FROM 1ST JANUARY, 1988 TO 31ST MARCH, 1989

Year ended 31 12 1987	EXPENDITURE	From 1 1 88 to 31 3 89	Year ended 31 12 1987	INCOME	From 1 1 88 to 31 3 89
10623 11	Interest Paid on Deposits, Borrowings, etc	15887 87	14535 36	Interest and Discount	22592 60
4592 33	Salaries, Allowances, etc	7205 08	2408 43	Commission, Exchange & Brokerage, etc	3635 84
1566 48	Other Expenditure	2665 97	1 55	Other Receipts	1 48
163 42	Profit	471 00			
16945.34	TOTAL	26229 92	16945 34	TOTAL	26229 92

"OUR MOTTO - CUSTOMER SATISFACTION"

Panchayati Raj Bill: The Real Flaw

B K Chandrashekar

It is not the Constitution amendment bill that is the problem It is the rest of the elements in the prime minister's package on panchayati raj that has given rise to deep-rooted apprehensions The centrepiece of these elements is the role proposed for the collector

THE Constitution 64th Amendment Bill introduced by the prime minister in the Lok Sabha to provide constitutional status to panchayati raj institutions (PRIs) has attracted unusually strong comments The non Congress governments perceive that the centre is making a new onslaught on the constitutional role and functions of the states via the proposed amendment They are also convinced that the amendment bill is only the first step in a series that will surely follow to institute the rule of India's villages from Delhi thus bypassing state governments It is argued that while the prime minister and his party will commandeer their massive majority in parliament to push the inadequately discussed bill through they will use a combination of state power and bureaucracy to control the panchayats through a new scheme of administrative and financial mechanisms (which however is not a part of the bill) Thus it is widely believed that the deputy commissioner or the district magistrate (DM) will be the sole focus, hereafter both of development and law and order matters What then will be the relationship between the DM and the elected panchayat at the district level? It is also feared that the centre will keep a direct hold over panchayat bodies by funding them from Delhi without virtually any reference to the state governments, thus devaluing the constitutional, political and social status of the states Are these mere 'beliefs' or probabilities based on some evidence? What does the amendment bill itself contain? In what form, if any, can these other proposals come in? These different but related issues have all been mixed up inthe politically charged debate

The debate, if it may be called that, on the amendment bill has confused rather than clarified issues For example, some senior opposition leaders and reputed journalists have condemned the bill on the ground (a) that the bill enables the centre to enact legislation concerning panchayats when such a thing should be left to the state governments, (b) that it provides access for the centre to the panchayats by means of direct financing of panchayats, and (c) that the bill in its earlier version, had empowered the governor rather than the state government to dissolve the panchayats The bill therefore is alleged to provide the basis for centralisation of power and not for decentralisation Above all the question has been raised Why the constitutional amendment?

The demand to entrench panchayati raj in the Constitution has been made by experts and various official commissions on the ground that most state governments had not implemented Article 40 of the Constitution (to organise village panchayats and endow them with powers of self government) and as a consequence PRIs had been denied resources responsibilities and powers It is generally agreed that the constitution must provide for (i) mandatory setting up of PRIs (ii) holding of periodic elections to these bodies, (iii) provision of reservation for the weaker groups and (iv) audit of PRIs accounts

Asoka Mehta Report

Thus the Asoka Mehta Committee (1978) recognised the need for constitutional sanction and included in its report a draft Constitution amendment bill formulated by 21 eminent citizens including E M S Namboodiripad S K Dey Ramakrishna Hegde, Madhu Limaye S M Joshi, and L M Singhvi

The draft bill made the establishment of PRIs mandatory membership was by election and the chief election commissioner was put in charge of all election matters The comptroller and auditor general was asked to audit the accounts and his report had to be submitted to the governor who, in turn, had to cause it to be laid before the state legislature Panchayats could be empowered by the state legislature with executive and administrative functions including the 'promotion of economic and social development and implementation of plans "

A finance commission to review panchayat finances had to be set up by the state government once every five years and its report had to go before the legislature As regards suspension and dissolution, where the governor of a state was satisfied that a panchayat was "not functioning in accordance with law or is grossly abusing its powers or is functioning in a manner which is detrimental to public interest" he could suspend or dissolve the panchayat (pp 207 212)

It was obviously not believed that such an amendment encroached upon the exclusive power of state governments to make legislation concerning panchayats ('local government' figures in the 'state list' of the Seventh Schedule to the Constitution) Nor did the bill contemplate amendment of any of the entries in the state or 'concurrent' lists in the Seventh Schedule so as to transfer them to the union list Now, how does this compare with the 64th Amendment Bill?

The 1989 Bill

The bill mandates the setting up of panchayats at the village, intermediate and district levels and they will have a five-year term Smaller states with a population not exceeding 20 lakh could do with a two-tier set up (Article 243A) The bill empowers the legislature of a state to determine the composition of panchayats (Article 243B) Members shall be elected in direct elections with one exception, namely, the legislature may provide for the membership of MPs and MLAs and chairmen of panchayats in the appropriate panchayat bodies Seats shall be reserved for SCs and STs in proportion to their population and to the total number of seats in a panchayat institution Similarly 30 per cent of the reserved seats shall be reserved for women belonging to SC and ST and a further 30 per cent of the total number of seats shall be reserved for women (Article 243C)

A finance commission shall be appointed by the governor to review the financial position of the panchayats and to make recommendations regarding taxes and duties to be imposed and the basis of sharing the revenue with the state government, grants in aid and related matters The recommendations will have to be laid before the state legislature.

The conduct of elections to PRIs including preparation of electoral rolls, etc, will be supervised and controlled by the Election Commission, as in Karnataka at the moment However, it will be the

prerogative of the state legislature to enact laws to govern elections to panchayats (Article 243 I and J)

As regards accounts the form in which accounts have to be kept will be determined on the advice of the comptroller and audit general of India The CAG will also arrange for the accounts to be audited and his reports to the governor will then be placed for consideration before the legislature

Finally, it has been left to the state legislature to endow the panchayats with such powers and authority as may be necessary to enable them to function as institutions of self government For example panchayats will have powers and responsibilities for the preparation of plans for economic development and social justice' (Article 243F) for the "implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule Thus (i) a distinction is made between preparation of plans and implementation of 'schemes In the latter case will it then be the right of the government to formulate schemes which it has no right to in the case of plans ? And (ii) for the first time under the Constitution the subjects listed in the Eleventh Schedule may be entrusted to panchayats However it is clear that such entrustment can be made only by a state legislature and not by the centre

The 1978 Draft and 1989 Bill

It can be seen that both in terms of its format as well as the content the 1989 amendment bill is similar to and in several instances even identical to the 1978 bill Whether in powers and responsibilities the manner of elections accounts and audit there is very little difference The role of the CAG in presenting forms for panchayat accounts and audit can hardly be described as promoting centralisation Indeed in Karnataka the accountant general has been requested to audit No 2 account of mandal panchayats, i e development expenditure There was a lot of fuss about the powers of dissolution given to the governor in the leaked (*Indian Express*, 10 4 1989) version of the 1989 bill There was an identical provision in the 1978 bill The bill in its present form has deleted that provision There need have been no fuss at all since the governor for this purpose, could not have acted in his 'discretionary' role but only in his formal, constitutional role He would be bound by the aid and advice of the council of ministers (Article 163) "The governor is but a shorthand expression for the state government just as the president is an abbreviation for the central government" (Supreme Court in Shamser Singh vs State of Punjab 1974)

Can the centre enact legislation to control panchayats? I believe that the centre has no power to do so The directive in Article 40 cannot extend to law making except by state legislatures The Constitution confers power to make laws under Articles 245 and 246 on both parliament and state legislatures but this is very clearly limited by the words in Article 245(1) subject to the provisions of this Constitution The limitation refers to the distribution of legislative powers by the Seventh Schedule i e by the three lists the union list the state list and the concurrent list Since local government and village administration appear in entry 5 of the state list only a state legislature can make laws on these matters There are some exceptional situations which empower the centre to legislate but they are not relevant for our purpose

The proposed amendment therefore represents only a generally agreed common denominator and there is nothing obnoxious in it from the viewpoint of state governments

Collectors Rule PRI Package

It is not the amendment bill that is the problem It is the rest of the elements in the prime minister's package on panchayati raj that has given rise to deep rooted apprehensions The centrepiece of these elements is the proposed role for the collector or the district magistrate and this has to be seen in the context of the much publicised concept of district planning in which the officials will have the activist seat with a more passive role for elected representatives

In 1987 and 1988 the prime minister held a series of five workshops of district magistrates on the theme of responsive administration -a theme which was no doubt welcome from the limited perspective of the civil service The views of these officers were further discussed by state chief secretaries and secretaries to the government of India and distilled into *a report submitted in July 1988* It is this report that should form the basis of discussion although where and how the recommendations pertaining to the supremacy of the DM would be drafted in the form of legislation is not known as yet

The report recommends the constitution of a unified representative body—which will be the zilla parishad—to be in charge of planning, execution and monitoring at the district level It brings in the DM as chief executive officer of the zilla parishad while he also continues as the district boss in charge of revenue and law and order In other words the developmental as well as regulatory functions will be concentrated in the DM The zilla parishad will have special subject committees to provide 'guidance' to officials The new powerful collector's role is sought to be justified by contrasting the ugly, if democratic, conduct of politicians with that of the more service oriented bureaucrats The presidentship of zilla parishad proving such a glittering prize furious contests will develop with money and communal caste influences overshadowing considerations of competence and commitment to social justice among the candidates leading to the capture of the top positions by undesirable elements This may be contrasted with the existing position where the bureaucracy might be sluggish but tries to be fair in its dealings as a rule No further comment is necessary! How poorly they think of the peoples institutions is best conveyed in their own words Making the collector the CEO of the zilla parishad would bring to the zilla parishad the knowledge the experience and the influence of the collector and thereby enhance its effectiveness

To give the DM the pride of place in the district involves several problems It means reversing the independence of the various technical departments like irrigation agriculture or public works that had grown out of DM's control both in the execution of works and administration of their departments The technocrats

Forthcoming

Once A Hermit Kingdom
Ethnicity Education and National Integration in Nepal

by
Tod A Ragsdale

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brought up for decades in this tradition would surely resent the new line of control Secondly, it is crucial for the success of *democratic decentralisation* that officials including the DM accept the ability of non-officials to work the system A study of the Maharashtra zilla parishad showed the officials non acceptance of and lack of faith in the capacities and capabilities of persons elected by the people to lead and work the system under democratic decentralisation (V R Gaikwad *Panchayati Raj and Bureaucracy* 1969 p 65)

The question is asked reflecting the essence of the Westminster constitutional model what is wrong if the bureaucracy is given a pivotal position so long as policy making rests with the elected representatives and only its implementation with the bureaucracy? However several countries have had bad experiences with this model The Westminster constitution guaranteed that the elected African governments would determine policy and the civil service implement it The African experience blood that myth on its head and demonstrated what now seems self evident to grant anonymity secrecy and independence to senior bureaucrats ensures their dominance over elected politicians (Robert B Seidman *The State Law and Development* 1978 p 395) Against this background the Karnataka model promoted by Ramakrishna Hegde and Nazir Sab is a bold initiative The elected zilla parishad is supreme in both plan formulation and execution The president of the zilla parishad who is of the rank of a state minister is the executive head and the chief secretary who is an IAS official is subordinate to him The DM is in charge only of revenue and law and order and is generally junior in service to the chief secretary Here is an attempt to restructure the bureaucracy so that its compartmented character is altered A new equation is sought to be built between the people and the law makers and that should be the heart and soul of democratic (as different from bureaucratic) decentralisation

Politics of Centralisation

The acrimonious opinions that greeted the introduction of the bill—despite the acknowledged need for a revamped PR system—is reflective of a certain lack of credibility on the part of the centre The entire gamut of opposition parties and independent observers appear convinced that the centre is inexorably pushing its policy of centralisation in a hundred different ways, violating the essence of co-operative federalism, cutting into areas of state governments' activities A government that centralises cannot, it is argued, decentralise selectively, and that, therefore, the amendment bill on PRIs is nothing but a gigantic exercise in vote-catching

Thus does it make sense to speak of decentralisation of functions authority and funds to the district and lower levels without such decentralisation from the centre to the states? Why is it that no corrections have been initiated to rectify the perverse use of such institutions as the governor the Election Commission the powers of the president in relation to states especially the imposition of president's rule under Article 356? Likewise in the realm of economic and financial relations planning and decision making processes have become excessively centralised while the present constitutional arrangements and practices on the sharing of taxes between the centre and the states remain highly inequitable The centralising phenomenon is most crudely displayed in the case of the electronic media and the well reasoned complaint by the opposition led in this case by Ramakrishna Hegde has elicited a negative and unconstructive response from the centre

New Encroachments

The chance as well is the fear of centralisation is reinforced by the setting up recently of the National Informatics Centre at Delhi for collection of data at the block level An officer of the centre will be placed in every district to collect and computerise information at the district level and transmit it on to NIC Curiously enough the district computer terminals will reportedly be manned by NIC and not by state government staff The information so gathered will be used for preparation of model district plans For example a model plan was prepared for Almora district in UP at the instance of the centre The next step may be the vetting of the district plans by the Planning Commission bypassing the state governments

While centrally planned and sponsored development schemes are an important feature of centre state relations they were not meant to reduce the responsibilities and initiative of state governments Yet that is precisely what happened Way back in the 1970s the National Development Council had decided that the value of centrally sponsored schemes would be limited to 1 6 or 1/7 of the quantum of assistance for state plans and that they should be in the nature of experimental projects, survey and research But while such schemes amounted to Rs 77 crore out of a total of Rs 497 crore in 1969-70 or about 15 4 per cent, in 1987-88 they amounted to 53 per cent of all the state plan schemes For Karnataka state, in 1987 88, the figure was a staggering 103 per cent As a result "they contribute to centralisation and inflexibility in planning and often they distort state priorities and immobilise the state resources" (*Centrally Sponsored Schemes An Instrument for Centralisation in Planning*, Government of Karnataka, 1988)

The Sarkaria Commission on centre-state relations was therefore obliged to observe that the schemes should be kept to the minimum and the process of decentralisation in plan formulation should be pursued seriously

But let alone cutting down central schemes a new one has just been started, Jawahar Rozgar Yojana in place of NREP and RLEGP Funds are sent directly to the DMs or chief secretaries of zilla parishad and not via the state governments The guidelines for the scheme include who the beneficiaries should be, how they should be identified the mode of implementation and so on thus ensuring centralisation and the rigidity that goes with it

Is it not a crude contradiction it is asked that the PM wants to decentralise power to PRIs while it is totally denied to the functionaries and members of his own party? A mind and a political structure which deny inner party democracy will never really give power to the people according to opposition spokesmen After Rajiv Gandhi's celebrated condemnation of the rot and the power brokers in his own party at the 1985 Congress Centenary Session in Bombay he announced in May 1986 that organisational elections would be held in early 1987 But that year elections were put off several times and eventually any talk of inner party democracy or of Rajiv Gandhi giving up presidentship of Congress in deference to the principle of sharing power has been the given goby

In sum the centre has thrown away an opportunity to develop a consensus on a matter of national concern and its credibility gap is increasing The decentralisation process must begin with the centre shedding its powers to the states to be followed thereafter from the state government to PRIs The centre should desist from direct funding of panchayats Most important, the amendment should include a provision containing the basis of devolution of finances from the centre to PRIs via the state governments Alternatively, the Finance Commission could be empowered to make such a recommendation

GOETZE (INDIA) LIMITED

NOTICE

It is hereby notified for the information of the public that **Goetze (India) Limited** proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under Sub-Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the establishment of a new undertaking Brief particulars of the proposal are as under

1	Name and address of the applicant	**GOETZE (INDIA) LIMITED** Registered Office H 2 Connaught Circus New Delhi 110 001
2	Capital structure of the applicant organisation	Authorised Capital (Rs Lacs) 1 00 00 000 Equity shares of Rs 10/ each 1 000 00 Issued & Subscribed Capital 69 33 599 Equity shares of Rs 10/ each 693 35 Paid up Capital 69 33 599 Equity shares of Rs 10 each fully paid up 693 35
3	Management structure of the applicant	The Company is managed by the Managing Director under the supervision control and direction of the Board of Directors Mr H P Nanda is the Chairman and Managing Director The Board of Directors consists of 1 Chairman & Managing Director Mr H P Nanda 2 Vice Chairman Mr Anil Nanda 3 Dr Ing Christian Irmler 4 Mr Gert M R Goetze 5 Mr Jin Lin Pai Alternate to Dr Irmler 6 Dr G Dittmer Alternate to Mr Goetze 7 Mr L M Thapar 8 Mr J Senqupta 9 Mr M M Sabharwal 10 Dr S M Patil 11 Mr J B Dadacharji 12 Mr Rajan Nanda 13 Field Marshal Sam Manekshaw MC 14 Mr V K Srivastava 15 Mr Charanjit Singh 16 Mr B R Kapoor 17 Mr P Bhalla Director and Secretary
4	Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division	New undertaking
5	Location of the new undertaking/unit division	Backward Area in District Bulandshahr U P
6	Capital structure of proposed undertaking	Not applicable as no new Company is proposed to be formed for the purpose
7	In case the proposal relates to production storage supply distribution marketing or control of any goods/articles indicate	
	(i) Name of goods/article	Potable Alcohol
	(ii) Proposed licensed capacity (in metric tons)	10 000 Kilo Bulk Ltrs
	(iii) Estimated annual turnover	Rs 6 000 lacs
8	In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc	Not applicable
9	Cost of the Project (Rs in lacs)	Rs 1 000 lacs
10	Scheme of finance indicating the amounts to be raised from each source	(Rs in lacs) Loans/Borrowings 600 00 Internal Accruals/Share Capital 400 00 Total 1000 00

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

for **GOETZE (INDIA) LIMITED**

Registered Office
H 2, Connaught Circus,
New Delhi 110 001

Sd/
(ANIL NANDA)
Vice-Chairman & Director

Dated JUNE 27, 1989

Business and Politics in India
A Historical Perspective

Sanjay P Thakur

Business is, of course, more than mere economic activity and it is necessary to understand the relationship between business and larger society Report on a seminar

AS a nation industrialises business activities begin to provide an increasing share of the goods and services and generate more and more employment opportunities in the economy Business thus ceases to be a mere economic activity and develops a social character From this angle an attempt to understand the relationship between business and larger society is not only desirable but also necessary The IIMA Seminar Series in Business History launched in 1982 by the Indian Institute of Management Ahmedabad has been directed to this end

The first seminar focused on the historical evolution of business communities in India and explored the socio cultural aspects of Indian business behaviour The second held in 1984 sought to probe the relationship between the character of the governing structures and economic activities at different points in our history The subsequent seminar held three years later attempted to trace the evolution of various functional strategies and structures in Indian business Two books based on the first two events have been recognised as significant additions to historical literature Business has a bearing on the distribution of power in society and vice versa This was the theme of the fourth seminar in the series on Business and Politics in India A Historical Perspective held on March 29 31 this year

Attitude to Business

The event began with S Ambirajan of IIT Madras presenting a provocative paper on changing attitudes towards business in India from ancient times up to the present He focused on the attitudes of rulers and of society in general towards business and also the self image of businessmen themselves Drawing primarily on literary sources, it was argued that the businessman held an honourable position in society well up to 1500 AD He was occasionally seen as a miser or a hoarder of wealth but only rarely as a cheat and exploiter By about 1800 AD, however, the business class had become more differentiated During this period, while the petty trader became despicable, the big merchant began to exploit the artisans The banking and moneylending community in the Mughal era however was an exception to the general decline in prestige and power of the business class This was perhaps because of the nexus between the merchant princes and the Mughal nobility The general attitude to business in the 19th and 20th century was more favourable than in the Mughal era but less so than in the pre Mughal age This was because the colonial legal system recognised individual pursuit of profit and sanctity of private property The nationalist movement was not against capitalistic pursuits either

The paper raised a number of questions of definition and methodology many of which would recur in the course of the seminar What constitutes business? Can the business class be treated as a homogeneous entity? What about regional variations? Can literary sources alone be a sufficient basis for generalisations? Absence of a view from below i e the peasants view of business or the workers view of the capitalist was cited At least a few participants felt that Ambirajan's assertion that the Mughal rule witnessed a sudden slump in the status of business smacked of a communal interpretation of Indian history The general consensus at the same time was that the paper opened up a new and neglected area of historical enquiry

In a paper fascinating in its sweep as well as detail Lakshmi Subramanian of Vishwa Bharati and Rajat K Ray of Presidency College examined the relations between businessmen and politics from the Mughals to the East India Company They argued that before the beginning of the present century businessmen did not have any decisive voice in Indian politics The sole exception was the 18th century when Mughal power declined and no dominant political power had yet emerged The great Mughals were not dependent on the services of private bankers and the status of merchants depended entirely on the whim and fancy of the Mughal officer on the spot In the 18th century however, the Anglo-Bania alliance, symbolising the businessman's desire to seek the best political alternative necessary for stable business operations, was a major factor in the British conquest of India For, the East India Company was more solvent than the Indian princes and, therefore, a more dependable client The company initially used the vast 'hundi' network operated by the Indian merchants to support the wars of conquest, but later subordinated them to an international system of finance and trade which eventually led to the decline in the political power of Indian business

Business Class and National Movement

A major portion of the seminar and perhaps the most stimulating one, revolved around the relationship between the business class and the Indian national movement Of the several papers on this theme the first one by Bhagwan Josh of Jawaharlal Nehru University set the tone for the proceedings to follow Josh persuasively argued that the simplistic characterisation of the Indian National Congress as a bourgeois party must be discarded With the broadening of the social base of the national movement in the 1920s and 1930s the Congress became an anti imperialist party of the Indian people The national movement developed two forms of anti imperialist struggle—the constitutional and the non constitutional mass upsurge kind The Indian capitalist class favoured constitutional struggle, but kept aloof from the non constitutional programmes of action Josh suggested that despite the inner differentiations within the capitalists they had by the 1930s developed a class identity and political vision vis a vis imperialism and other social classes in India However, there was no evidence to suggest that the capitalists were able to influence the nature and course of the national movement in any direct way

Dwijendra Tripathi of the IIMA (the seminar co ordinator) in his paper on the same theme distinguished between the pre Gandhi and post Gandhi phases During the first phase the Indian industrial class was weak it had no conflict of interest with British business operating in India and it was dependent on British technology and technicians Conflict arose after the first world war as the Indian business class grew in strength But businessmen had no intention of burning bridges with the government at a time when the threat of foreign competition was also severe At the same time there was awareness of growing mass movements In hindsight it would appear that after the emergence of Gandhi the industrialists followed a four fold strategy (1) keep aloof from the confrontationist politics of the Congress, (2) support constructive activity of the Congress to establish a claim on its gratitude, (3) influence policy formulation within Congress, and (4) act

in unison with nationalist forces in legislative assemblies and similar other forums. In support of his contention Tripathi traced the relations between the Congress and the industrialists from the 1920s up to the transfer of power and asserted that because of this ambivalent attitude the Indian industrialist class had only a marginal impact on political developments. In fact, by the time the end of colonialism was in sight, the industrialists were articulating positions similar to the Congress, as was clear by the so-called Bombay plan prepared by some of the most important leaders of the Indian capitalist class, Tripathi argued.

Gita Piramal's paper on the political awareness of Bombay businessmen between 1880 and 1937 complemented Tripathi in many significant details. According to her, the Bombay capitalists had negligible interest in politics almost up to the end of the 19th century. Most of them had made their fortunes under Pax Britannica and there was a feeling of gratitude for the British. However, men like Jamshetji Jeejeebhoy were active behind the scenes and J N Tata secretly financed the publication of Digby's book on Indian poverty. A few others too took limited interest in nationalist politics by participating in the activities of the Bombay Presidency Association, perhaps because of growing disenchantment with colonial rule under disturbed business conditions in the 1890s and the early decades of this century. However, as the national movement took a militant turn, the Bombay entrepreneurs retreated from even their limited participation in activities challenging the colonial regime. It was not until after the adoption of the Government of India Act of 1935 and the revival of constitutional struggle, Piramal argued, that the Bombay capitalists' interest in politics was revived. Several of them now stood for election to the provincial legislature and even won seats.

While there was general agreement with the conclusions of Josh, Tripathi and Piramal, their papers raised many important questions. What could be the basis of determining the character of a political party? Is it political participation, relationship with social classes, or its position on various burning issues? Why did the Left fail to hegemonise the Congress? If the dominant character of the Congress was anti-imperialist, why did it adopt anti-peasant and anti-labour stances on some occasions? At what point did the capitalists begin to visualise the Congress as the future ruler of the country? It was felt that to provide a satisfactory answer to these questions it would be necessary to look at a disaggregated picture of private capital in different regions, its relations with different groups or its position on specific issues.

A Disaggregated Picture

Three papers in fact attempted to do just that. The first in this category was by Kapil Kumar of the Indira Gandhi National Open University who examined the attitudes of Indian business towards the peasantry. He too agreed with the contention that the Indian capitalists sought to achieve a delicate balance between aligning with the national movement on the one hand and trying to check the threatening forces that mass nationalism inevitably released on the other. Consistent with this strategy, the capitalist class, Kapil Kumar argued, was not averse to the controlled participation of the peasantry in the anti-colonial struggle but sought to keep the peasant question within manageable limits. The strategies to keep the Kisan Sabha movement in check included the use of money power, support to constructive work in villages and establishing links with the Congress right wing. After all, many leading capitalists were landowners themselves and several Congress leaders received personal financial support from businessmen and had a sizeable investment in industrial units. The banning of Kisan Sabhas when the Congress ministries assumed power in the provinces can be understood in this context, Kumar averred. Doubts however were expressed whether he was not over-simplifying the issues and whether his analysis did not suffer from the fallacy of mono-causation despite his rich factual data.

Another paper dealt with the attitude of the Indian business towards economic planning. Presented by Raghabendra Chattopadhyaya of IIM, Calcutta, it traced the genesis of the idea of planning and asserted that the Indian business community played a crucial role in developing the planning concept during the two decades before 1947 and also during the formative years of the planning era. Capitalists advocating the concept of planning may appear paradoxical but unlike the Soviet model, planning as visualised by Indian business was merely an economic method for rapid industrialisation as distinct from an instrument of the political transformation of society. Citing the Bombay plan in support of his thesis, Chattopadhyaya tried to emphasise that this document attempted to pre-empt state efforts in planning and, through it, Indian capitalists "set the limits of the domain of the state in the socio-economic field of the country" along capitalist lines.

The third paper in the category of those that dealt with specific issues was one on the role played by the Indian business in the partition of India. This was presented by Claude Markovits of the Centre National de la Recherche Scientifique, Paris, who argued that before the 1920s Indian businessmen were not divided along communal lines, though some businessmen were associated with Hindu revivalist activities. As Jinnah's campaign for Pakistan gained momentum, however, the Hindu capitalists, particularly Birla, began to realise that the real choice was between on the one hand Pakistan and on the other hand a loose federal regime giving the Muslim provinces a large measure of autonomy as the Muslim League demanded. The Hindu capitalists were in favour of a strong central government which the Bombay plan visualised. They considered Pakistan as a lesser evil and put whatever pressure they could on the Congress leadership to accept the partition. Though the paper generated a great deal of discussion, most participants felt that Markovits needed more supportive data for his thesis, a criticism to which the author readily agreed, saying that his was at this stage only a preliminary analysis.

Running directly or indirectly through most of the papers discussed above was the personality of Gandhi. It was therefore fitting that his relations with the Indian bourgeoisie were discussed in a paper presented by Bhikhu Parekh of the University of Hull, UK. Analysing Gandhi as a political philosopher rather than as a mere political activist, Parekh averred that despite his aversion to the institution of state, Gandhi by the 1930s began to view the state as the custodian of Indian civilisation. Parekh lucidly argued that neither capitalism nor socialism was an adequate category to describe Gandhi's thought and it is difficult to describe him as a supporter of either system. In practice, Gandhi developed a language of discourse between various groups in Indian society and developed the Congress as a body for creating some kind of consensus amongst various groups and sensitising them to each other's needs. Parekh therefore, rejected the view that Gandhi was the spokesman of the Indian bourgeoisie as has been argued by the Marxists, and pleaded that the bourgeoisie had little impact on his thoughts, politics or action. Parekh's was an interpretative paper, not based on factual details, but on content analysis of Gandhi's thoughts and utterances. Many participants naturally cited several details challenging his conclusions. The political scientist from Hull, however, stood his ground pleading that all facts in the ultimate analysis were subjective.

Politics of Business Groups

Though most of the papers were concerned with the attitude of Indian business towards nationalist politics, two dealt with the internal politics of the business groups themselves. One of these was presented by Raman Mahadevan of the Centre for Development Studies, Trivandrum, who discussed the development of business associations in colonial Madras. According to him the politics of businessmen was moulded considerably by their immediate economic interests. Business associations were not merely homogeneous interest groups. They also represented the articulation of business class identity through a process of realignments between various sub groups. To support this contention, Mahadevan pointed out that initially South India was dominated by European business. Naturally native business and Indian business associations were slow to develop. But the growing spirit of coalescence at the turn of the century coinciding with the Swadeshi movement, resulted in the founding of the Indian Bank and the South India Chamber of Commerce. Economic difficulties during the first world war I saw the articulation of more sectional interest groups within the Indian business community. The process continued in the subsequent period as well, resulting in the formation of several trade associations representing various interests.

If Mahadevan's paper indicated that there ought to have been more presentations dealing with the rise of trade associations in various parts of the country, a contribution by B R Tomlinson of the University of Birmingham on British Business in India pointed to the need to study the business operations of other non-Indian interests in India. According to the author, the links between the British firms and the colonial state were complex. With regard to political alignments, the colonial administration was often criticised by colonial businessmen and they often defended Indian interests against 'imperial' ones in alliance with the locals. The British expatriate managing agency houses from the late 19th century onwards succeeded because they provided the "organisational skills needed to co-ordinate India's new export-oriented primary produce sector." British subsidiary firms in their growth phase were characterised by heavy investment in management, organisation and plant. This was the basis of their success at a time when older types of expatriate managing agency firms were declining. Although Tomlinson's paper was related to the theme of the seminar somewhat indirectly it did provide a perspective for appreciating some other papers which dwelt upon the interaction between the Indian and European business interests in India and its impact on the political attitude of Indian business.

All in all, thus, the seminar was an academic exercise of very high quality. Although it did not quite exhaust the subject and some of the aspects could be discussed only partially, it underscored the need to examine more intensively a somewhat neglected subject.

SAMEEKSHA TRUST BOOKS

Selections of articles from *Economic and Political Weekly*

General Editor Ashok Mitra

Lopsided Growth

Political Economy of Indian Development

by **Pradhan H Prasad**

This collection of essays in political economy unravels the forces which have acted as a drag on Indian development. The Achilles heel of Indian development plans, the author argues, has been their preoccupation with investment planning to the neglect of institutional transformation. Within this broad framework the author discusses a wide range of subjects including macro economic plan models, choice of techniques, the persistence of outmoded production relations in agriculture, growing political assertion by the middle peasantry, rural agrarian violence and uneven regional growth.

Pp vii + 125 index Rs 110

The Retarded Economies

Foreign Domination and Class Relations in India and Other Emerging Nations

by **Nirmal Kumar Chandra**

Why is it that while the former colonies and semi colonies have emerged as a major force in world politics over the last four decades their economies in most cases remain retarded? The first part of the volume focuses on the exchanges between the poor and the rich nations. Did western aid, private capital and technology really help India, or was it the other way round? Granting that both sides made some gains, did the USSR derive undue advantage through its bilateral trade and aid transactions with the third world? Can the theory of unequal exchange explain the growing economic hiatus between the north and the south. The second part of the book is concerned with the domestic scenario in India. The author tries to relate the overall stagnation in material production per capita to the balance of class forces that emerged after independence as a result of a strategy of industrialisation based on import substitution. Long term trends in aggregate and sectoral outputs, the terms of trade between industry and agriculture, real wages and unemployment rates, savings and investment, private monopoly capital etc are analysed in this context. Further, the existing laws and regulations on private sector monopolies are also examined from the same perspective. The final essay is a critique of the recent tilt in spirit by the IMF and the World Bank towards liberalism in India's economic policies.

Pp 388 + index Rs 240

Centre-State Budgetary Transfers

Edited by **I S Gulati**

The papers brought together in this volume examine the federal financial relationship in India as reflected in transactions through the budgets of the Union and State governments. Under the Constitution, the Finance Commission appointed by the President every five years is expected to recommend adjustments in inter federal transfer of budgetary funds to meet the changing requirements of the system. In fact the transfer of resources from the Centre to the states has taken forms which have fallen largely outside the ambit of the Finance Commission and it is the Planning Commission which has come to play a very major role in the determination of Centre State financial transfers. The involvement of the Planning Commission has not, however, resulted in a more total view being taken either of financial devolution from the Centre to the States or of inter state distribution of the amounts so devolved. While transfers under the aegis of the Finance Commission, the so called statutory transfers have aimed at covering the non plan revenue account gaps of the States, the plan transfers coming under the purview of the Planning Commission have sought to plug gaps in the States' resources for financing their plans. The gap filling approach thus continues to dominate Centre State financial transfers. If Centre State financial relations are to be made more equitable and are to have greater regard for efficiency in budgeting, it is argued, existing institutional arrangements will have to be substantially modified. This volume seeks to contribute to raising and debating the relevant questions.

Pp viii + 312 Rs 225

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ANDHRA PRADESH STATE FINANCIAL CORPORATION

5 9 194, Chirag Ali Lane, Hyderabad

Statement made at the 33rd Annual General Meeting held on Wednesday, the 28th June, 1989 by the Chairman Shri C Ramachandraiah, MLA

GROWTH WITH CONSOLIDATION

Gentlemen

It gives me immense pleasure to extend hearty and cordial welcome to you all to the 33rd Annual General Meeting of your Corporation It is my pleasant privilege to inform you that your Corporation continued its momentum in its operations and attained greater heights during the year in all the key result areas The Corporation's total sanctions crossed Rs 1 000 crores mark during the year This is indeed a remarkable achievement in the history of any development financial institution!

The Annual Report along with,the statement of accounts and auditors report have already been circulated to you With your permission I shall take them as read

ECONOMIC SCENARIO

After four successive droughts agricultural production during 1988 89 showed a remarkable improvement Industrial production also recorded an increase of over 9% during the year The policy changes introduced by the Government of India for accelerating the pace of industrialisation yielded positive results In spite of shortages in power supply in the state industrial units also fared better when compared to the previous year It is gratifying to note that further new oilwells have been dug in the krishna-Godavari basin wherein oil and natural gas have been discovered and production on commercial scale is in progress Industrial units in this region have already started utilising the oil and natural gas available Government of India have given long over due clearance for the export processing zone in Visakhapatnam during the year This will give fillip to the promotion of export based industrial units in the state

The improvement in economic conditions has helped our Corporation in stepping up its operations on a rapid pace

OPERATIONAL HIGHLIGHTS

During 1988 89 your Corporation sanctioned an amount of Rs 169 57 crores to 3999 applicants recording a growth rate of 69% over the previous year and disbursed an amount of Rs 113 24 crores during the year Your Corporation recovered an amount of Rs 84 86 crores an increase of 92 75% over the previous year The Corporation's sanctions disbursements and recoveries during the year are the highest in a single year in the Corporation's history

Your Corporation continues to devise new policies and programme to provide qualitative service to the entrepreneurs be side it quantitative contribution Instant response to the growing needs of the society is essential to keep an organisation in the effective service of the people I would like to briefly mention some of the important programmes that have been undertaken by the Corporation during the year 1988 89

1 **Waiver of Service Charges on Tiny Sector Units**

The Corporation waived service charges on loans upto Rs one lakh so that tiny sector units need not pay any more service charges to the Corporation

2 The Corporation reduced interest rate by 1% for the industrial units if 50% or more of its employees are women with the objective of providing more jobs for women in the industrial sector

3 **Assistance to Small and Tiny Sector Units**

It is the objective of the Corporation to promote more and more small scale industrial units to provide gainful employment to a large number of people During 1988 89 the Corporation sanctioned Rs 124 48 crores to 3 76 small scale industrial units constituting 94 49% of total number of sanctions and 73 41 % of amount sanctioned

In order to help the small scale industrial units in securing working capital as well as term loans from a single source the Corporation has started operating vigorously the Single Window Scheme Under this scheme assistance up to Rs 5 lakhs is provided by your Corporation This includes loans towards working capital to the maximum extent of Rs 0 5 lakhs

4 **Assistance to Backward Areas**

Your Corporation has been laying more emphasis on the industrialisation of backward areas with the objective of reducing regional imbalances During 1988 89 your Corporation sanctioned Rs 113 84 crores to 2472 units constituting 69 5% of total amount sanctioned and 68 8% of total number of sanctions in the notified backward areas of the state

5 **Assistance to Underprivileged Sections of Society**

Your Corporation has been striving to bring more and more persons from underprivileged sections of society into the fold of entrepreneurship Your Corporation's special efforts have resulted in extending assistance to 690 Scheduled Caste entrepreneurs to an extent of Rs 841 3 lakhs and 130 7 lakhs to 82 entrepreneurs belonging to Scheduled Tribes

6 **Assistance to Women Entrepreneurs**

The Corporation lays special emphasis on extending assistance to women entrepreneurs During 1988 89 your

Corporation sanctioned an amount of Rs 629 5 lakhs to women entrepreneurs as against Rs 355 lakhs during the previous year

7 **Assistance to Physically Handicapped and Ex Servicemen**

Your Corporation during the year brought into operation special scheme meant for physically handicapped as well as ex servicemen for promoting small industrial units

8 **Relief Assistance to Units Affected by Riots**

Your Corporation always rise to the occasion to meet the unforeseen contingencies being faced by its assisted units Your Corporation sanctioned Rs 107 59 lakhs to 37 units which were damaged during the unfortunate riots in the last week of December in the four coastal district This assistance at the rate of 100% was announced by the Government

9 During the year your Corporation introduced a new scheme to provide assistance to inland water transport operators for purchase of transport through inland water

10 **Entrepreneurs Development Programmes and Customer Meets**

Your Corporation continue to take active part in promotional and development programmes Your Corporation has conducted several entrepreneurs and customer meets

11 **ADB Line of Credit**

Your Corporation continue to avail the line of credit to industrial units in the private sector under the ADB Line of Credit

Investment Subsidy

Corporation continued to avail the central capital subsidy to units in backward areas Your Corporation has taken up a scheme of Rs 1 lakh and above to avoid late payment of interest from 1 4 97 onwards

PROFIT

Your Corporation earned a net profit of Rs 4 4 crores during the current year as against Rs 3 4 crores in the previous year

RESOURCES

During the year under operation received a sum of Rs lakhs from the Government of Andhra Pradesh as well as Industrial Development Bank of India in equal proportions as their share capital contribution

The total borrowings of resources was Rs 535 18 lakhs during 1988 89 as against Rs 30 91 lakhs during 1987 88 Refinance from Industrial Development Bank of India during 1988 89 was at the extent of Rs 6300 lakhs

I am happy to report to you that despite resource constraint during 1988 89 your Corporation didn't resort to borrowing under new debt instrument which is one of the costlier source of finance as the interest rate is 11 5 % In the previous year borrowing under NDI was Rs 5 crores During 1988 89 debt equity ratio also improved from 3 25 1 in 1987 88 to 3 36 1 The debt service coverage ratio during 1988 89 also showed improvement

PERSPECTIVE FOR 1989 90

Your Corporation wishes to maintain the momentum in the growth rate in its operations during 1989 90 also The Business Plan for 1989 90 approved by IDBI envisages Rs 152 5 crores of sanctions Rs 123 6 crores of disbursements and Rs 99 crores of recovery I am confident that your Corporation in practice will surpass these targets Your Corporation not only lays emphasis on quantitative achievements but gives more importance for improvement in the quality of service being offered Keeping this in view your Corporation has formulated the following policies for implementation during 1989 90

Self Employment Scheme

In order to provide employment opportunities for educated youth the Corporation during 1989 90 is going to operate a Special Self Employment Scheme for First Generation Entrepreneurs

Composite Loans

The Corporation continues to lay emphasis on extending assistance to artisans under Composite Loan Scheme so that they could reap the benefits of industrialisation

Single Window Scheme

In order to provide working capital as well as term loans from a single source to small scale entrepreneurs your Corporation gives special importance for the operation of this scheme during the current financial year

Your Corporation proposes to conduct entrepreneurship development programmes in an intensive and effective way for speedy promotion of industrial units in the state Special cell has already been created in the Corporation to meet this requirement

ACKNOWLEDGEMENTS

I am happy to inform you that your Corporation has been enjoying the full support and confidence of the Government of Andhra Pradesh and Honourable Chief Minister Sri N T Rama Rao and it is my pleasant privilege to reassure the Government that your Corporation would spare no efforts in taking the State of Andhra Pradesh into the forefront of industrialisation with special emphasis on small and tiny sector units and upliftment of underprivileged sections of society I express my gratitude to the Government of Andhra Pradesh and our beloved Chief Minister I wish to place on record my sincere thanks to Industrial Development Bank of India for their valuable and timely support in providing resources besides offering counsel and guidance in our operation

I take the opportunity to express my heartfelt thanks to my colleagues on the Board for their valuable counsel and cooperation in formulating the policies and programmes of your Corporation

I would like to express my thanks to RBI Department of Industries & Commerce LIC Commissionerate of Public Enterprises Commissioner of Industries District Industries Centres District Collectors Sister Corporations in the State and Commercial Banks for their active support extended to the Corporation

It gives me great pleasure to extend my sincere thanks to Managing Director General Managers Officers and other employees of the Corporation for their sincere and devoted service I compliment them for their professional approach to the job and discipline in implementing the policies and programmes sincerely which has enabled the Corporation to reach the pinnacle of success

I am specially thankful to the shareholders of the Corporation for the interest they have been showing in the activities of the Corporation I thank you all for sparing your valuable time and being present here today to attend this Meeting

Now I take the pleasure of commending the Balance Sheet and Profit and Loss Account of the Corporation along with the Directors Report for your esteemed consideration

Thanking you

C Ramachandraiah MLA
CHAIRMAN
Hyderabad

28th June 1989

NOTE *This does not purport to be the report of the proceedings of the Annual General Meeting*

Sword of Damocles over Tribal People of Andhra Pradesh

N Subba Reddy

It is necessary to delve into the intentions of the Andhra Pradesh government in wanting to allow free sale of land among non-tribals within the tribal tracts

FOR the last two years the Andhra Pradesh government has been trying relentlessly to repeal a law enacted nearly two decades ago (Regulation I of 1970) which prohibits any transfer of land in the scheduled areas to non tribals While the existing regulation postulates that if non tribals owning lands in scheduled areas want to dispose of them they can sell them only to tribals or to the government the present ministry wants to allow free sale of land among non tribals within the tribal tracts

Two arguments have been advanced by the government in support of its proposed move One is that the non tribals have expended a lot of labour and invested a good deal of capital in reclaiming and developing the lands in scheduled areas and hence they should be free to sell their property in the open market without any restrictions The second which goes a little beyond the first argument is a plea for even overlooking the question of the legality of acquisition of the land sought to be sold by the non tribal if the non tribal in question is in possession of only 5 acres of wet land or 10 acres of dry land The implications of these arguments and the consequences of the proposed action of the government need to be carefully examined against the background of the historical necessity for successive land regulations which were enacted in the scheduled areas from time to time

Protective legislation applicable to the tribal areas of Andhra Pradesh dates back to 1839 when the British government decided to treat the tribal areas of Vizagapatam and Ganjam districts on a different footing from the rest of the plains and declared that the normal revenue and judicial laws would not apply to the former Subsequently as a result of a further realisation that the tribals needed to be shielded from the usurious moneylenders and land grabbers from the plains, the then government enacted the Agency Tract Interest and Land Transfer Act of 1917 which prohibited transfer of land in the agency area to any one except a member of a hill tribe, unless it was permitted by an officer authorised for the purpose The 1935 Act created excluded and partially excluded areas in respect of which the governor exercised special powers through the collector of the district But in spite of these safeguards land began to slip from the hands of the tribals into the hands of non tribals And with various developmental schemes launched in tribal areas after independence these hinterlands became less forbidding and hence more vulnerable leading to a faster rate of land alienation

The growing contradiction between well meaning laws on the one hand and their uninterrupted contravention on the other called for remedial action in independent India The response came in the form of the Scheduled Areas Land Transfer Regulation of 1959 Apart from strengthening the main provisions of the 1917 Act regarding the transfer of lands in the scheduled areas the 1959 regulation provided specifically for the eviction of non tribals unlawfully occupying lands and for the restoration of the same to the tribals The tribal tracts in some of the Telengana districts which were formerly part of the Nizam Dominions witnessed turmoil in the forties following which some far reaching steps were undertaken by the administration under the enlightened leadership of Grigson Protective regulations preventing land alienation were formulated in 1946 under the title The Tribal Areas Dastur Ul Amal 1356 Fasli They received the assent of the Nizam in 1947 and became applicable to the tribal areas in different districts notified for the purpose in 1949

After the merger of the Telengana districts with Andhra Pradesh the Scheduled Areas Land Transfer Regulation of 1959 was made applicable to the Telengana districts also from 1963 onwards But as the operational rules under the act were not formulated this act remained a dead letter for nearly a decade The cumulative discontent of the tribals led to the Srikakulam rebellion of late sixties which jolted the government to enact a more stringent law in the form of Regulation I of 1970 It totally prohibited the transfer of lands in scheduled areas to non tribals (whether the transferer was a tribal or non tribal) and placed the onus on the non tribals to prove whether their acquisition of land had been in conformity with the laws It is this regulation which is now the target of attack by the non-tribal landholders and which the government has chosen to repeal

Trumped up Grievances of Non Tribals

It needs a close examination as to who the people are that are really aggrieved by Regulation I of 1970 If any non tribal acquired his land lawfully up to 1970, either from any non tribal or even from a tribal with the permission of an authorised officer his title to the land is secure Only when the non tribal acquired the lands against the law and without following the procedure prescribed his title comes to be questioned Regarding freedom to sell the lands lawfully owned by a non tribal to any one he likes there is a counter question to be answered If his legal acquisition of land in the scheduled areas was itself dependent on the discretionary powers of a competent officer can not the latter also decide whether he can sell the land and to whom he can sell it?

There have been many conferences held by the non tribals in Andhra Pradesh in the recent months to project their case against the protective legislation in the scheduled areas One of their arguments is that many of the non tribals have been living for a long time in the scheduled areas eking out a modest living off their lands Hence they should not be barred from selling their lands to the highest bidder But here again there is a counter question to be answered If they have really identified themselves with the tribal areas then should they not subject themselves to the same laws as the tribals? As the tribal is not free to sell his land to a non tribal under the existing regulation why should a non tribal who has chosen to be a resident of the scheduled area have any more freedom than the former? A further plea is advanced in the name of poor non tribals owning small plots of land who, in distress choose to sell them in order to meet some of their dire necessities In this case again is it not undoubtedly better for them to retain the lands and raise loans by mortgaging them instead of selling them and reducing themselves to the position of landless labourers? It may be noted that by a subsequent incorporation of clause 3A (1) into the regulation of 1970 the lands legally owned by non- tribals in scheduled areas were made eligible for mortgage with financial institutions

On an altogether different plane is the case of non tribals who have no valid titles to the lands occupied by them in the scheduled areas Even if they are small peasants owning only an acre of land, an illegal possession cannot be converted into a legitimate ownership just on humanitarian grounds This does not happen even in the case of a tribal, and one has to

remember that there are many indigenous tribals not owning even a fraction of an acre

At Utnoor, in Adilabad District some leaders of the non tribals put forth the most fantastic plea that they had acquired lands in scheduled areas in ignorance of restrictive laws such as Regulation I of 1970 and hence they should be exempted from its operation (*Andhra Prabha* February 27) An MLA Sudhakara Rao in a letter published in *The Hindu* of February 20 made out a case that the laws meant for the scheduled areas of the coastal Andhra districts should not have been made applicable to the Telengana districts as the latter did not previously have the category of tribal tracts with their separate laws on acquisition of lands by non tribals For his sake and for the sake of others who may be holding similar view I shall quote a few clauses from the Tribal Areas Dastur Ul Amal of 1946

> Without prejudice to the generality of powers conferred by sub section (1) the rules and regulations may provide for all or any of the following matters
>
> Prohibiting patta or any other land being given to any non tribal Land in any notified tribal area authorising the agent to resume or revise any title in land granted to a non tribal in any notified tribal area during a specified period before the coming into force of this Dastur Ul Amal or to order exchange of land by way of compensation for settlement and empowering the agent to eject any person from any land or to place any person in possession of any land in accordance with his decision
>
> The cancellation of all sale not finally confirmed before the date of enforcement of this Dastur Ul Amal
>
> Authorising the agent to eviction from a notified tribal area any non tribal if for reasons to be recorded in writing he is satisfied that his presence in such area is likely to be detrimental to the interest of tribal

Face Behind the Mask

Now we should try to look at the real face behind the mask Notwithstanding the protective regulations which adorned the statute book for several decades lands in the scheduled areas continued to pass into the hands of non tribal exploiters The greater part of land alienation occurred after the forties The glaring fact that strikes one is that even according to the official records 55 per cent of cultivable area in the scheduled areas of Andhra Pradesh is now in the hands of non tribals And in the vast majority of cases the non-tribals acquired the lands not in conformity with the laws but by jumping the legal hurdles They must have made use of every kind of subterfuge and underhand device, ranging from forgeries, cooked up records, physical violence deceit, blackmail and bribery Case studies illustrating all these processes of land alienation have been brought out by field researchers who investigated the problem in these areas More inscrutable than others, there is the technique of benami holdings whereby a big non tribal land holder holds several patches of land in the names of different poor tribals and non tribals who are actually dependent on him as tenants or farm servants

There are some cases of non tribal landlords who own thousands of acres of fertile land in the scheduled areas Some of the lands owned by these big landlords are within the command area of well developed irrigation systems The moment the ban is lifted on the transfer of lands to non tribals there will be a flood of non tribal immigrants trying to buy up the lands in the scheduled areas The land values would soar and even tribals will be tempted to sell away the remnants of their holdings If the vested interests can now persuade the government to change Regulation I of 1970 so as to permit free sale of land among non tribals they need only put a little more time to push the government further and secure further liberalisation of laws so as to enable them even to purchase the land of tribals Of course always there will be a handy humanitarian argument that the poor peasants have to sell their land to meet their pressing needs This is the actual game and even if a minor amendment is now made it will serve as the thin end of the wedge

Another mysterious operation which is going on in the name of development activity refers to the land survey and settlement While one wing of the government is trying to investigate and establish the legality of land held by the non tribal the survey and settlement staff are trying to confer patta on the basis of present occupancy Elementary wisdom requires that the settlement operations should wait until the legality of possessions under the regulation of 1970 is established beyond doubt in all cases of non tribal holdings

Role of Tribal Advisory Council

Hand in glove with the vested interests the government of Andhra Pradesh has been understandably impatient to do a good turn to the Telugu region by erasing the very category of tribal area from its map There was one procedural hurdle in their way that is securing the concurrence of the Tribal Advisory Council (TAC) which is a prerequisite for any legislation affecting the scheduled areas as per the Fifth Schedule of our Constitution The restlessness of the government until it achieved this objective could be gauged by the fact that the TAC was convened five times between December 1987 and December 1988, while the average frequency of its meetings was only once a year previously In the first four meetings the TAC could not force itself to agree with the government's proposal At the fourth meeting held on March 29, 1988, the TAC made what appeared to be a big concession in recommending that in the case of non-tribals having to dispose of their lands under unavoidable necessity, the government may purchase them at the market value (as distinguished from what is prescribed under the land ceiling act) But this did not satisfy the vested interests or their instrument the government Decisive pressure was brought to bear on the TAC by the chief minister by convening a meeting of the floor leaders of all the parties on April 9 1988 and obtaining their approval for the repeal of Regulation I of 1970 (Later on a spokesman of the CPI(M) Balagangadhara Rao, gave a statement to the effect that his party did not support the repeal of the regulation but had only suggested a minor amendment to the effect that small peasants among the non tribals living in scheduled areas may not be evicted) Following some criticism in newspapers and journals and more importantly the judgment of the Supreme Court delivered on July 14, 1988 upholding the regulation of 1970, the government held its hand for a while A few paragraphs from the judgment of the Supreme Court are worth quoting in this context

> With the advent of the non tribals in the late 19th century and early 20th century the land passed hands from tribals to non tribal This change of ownership was a result of exploitation arising (1) in the context of moneylending operations and (2) in the context of dubious and unconscionable dealings in the course of trade A legislation which in essence and substance aims at restoration to the tribals of the land which originally belonged to the tribals but which passed into the hands of non tribals in the aforesaid backs round cert anly cant be characterised as unreasonable
>
> In the first place should less or not be drawn from past experience to plug the loopholes and prevent future recourse to devices to flout the law The community can not shut its eyes to the fact that the competition between the tribals and the non tribals partakes of the character of a race between a handicapped one legged person and an able bodied two legged person True, transfer by non tribals to non tribals would not diminish the pool It would maintain *status quo* But is it sufficient or fair enough to freeze the exploitative deprivation of the tribals and thereby legalise and perpetuate the past wrong instead of effacing the same? As a matter of fact it would be unjust unfair and highly unreasonable merely to freeze the situation instead of reversing the injustice and restoring the *status quo ante*

There was a deceptive lull for about eight months after which the government struck again with renewed determination, and wrested the concurrence of the TAC for the repeal of Regulation I of 1970 on

December 23, 1988 What exactly happened at the meeting of the TAC on that fateful day is a matter of controversy According to the magazine *Sunday* (March 12 18 1989) of the 12 tribal MLAs six were not present at the meeting and among those who were present three did not support the government's proposal [These three were said to belong to the Congress CPI(M) and CPI(ML)] Three official members are reported to have spoken against the repeal of the regulation In that case the government proposal could not be said to have been endorsed by the TAC There are also other versions of the proceedings on that day One version is that when an MLA agreed to support a minor amendment but not total repeal of the regulation he was wrongly counted as a supporter of the government proposal My own understanding is that there were 10 tribal MLAs present at the meeting of the TAC barring the minister for tribal welfare Of them three were from the plains that is those who do not represent the scheduled areas and who are not affected by the laws applicable to those areas Among the remaining seven who represented the scheduled areas four gave their assent for the repeal of the regulation of 1970 Two opposed the proposal while another was in favour of a minor amendment and not wholesale repeal of the regulation Four official members spoke against the repeal of the regulation In that case it would be wrong to conclude that the TAC clearly endorsed the proposal to repeal Regulation I of 1970 It was not clear whether a formal vote was taken or an assumed consensus was recorded How even a few tribal representatives could support such a proposal is an altogether different story which highlights the tragic process by which the traditional morality of the tribals is traduced and the immorality of present day politics is transplanted among them

Fifth Schedule and Governor's Duties

Besides questions of morality and the niceties of voting, there are serious issues of law bearing on the composition and functions of the TAC The provisions regarding the TAC are adumbrated in the Fifth Schedule of our constitution Article 4 (2) of Part A of this schedule reads as follows It shall be the duty of the TAC to advise on such matters pertaining to the welfare and advancement of the scheduled tribals in the state as may be referred to them by the governor" One should underscore the words welfare and advancement of scheduled tribes' in this clause The proposal to repeal the regulation of 1970 can, by no stretch of imagination, be interpreted to pertain to the welfare and advancement of the scheduled tribes How could the TAC be called upon to advise on a measure which in effect is meant to advance the cause of non tribals? How could the Tribal Advisory Council become a non tribal welfare council and how could the tribal representatives become the champions of the non tribals?

A more basic question is whether the meeting was convened by the governor as prescribed in the Fifth Schedule of the constitution It should be noted in this context that while as far as the larger part of the state is concerned the governor is supposed to be guided by the council of ministers in regard to the scheduled areas the Fifth Schedule of the constitution confers special powers on the governor which are discretionary and independent of the advise of the ministry Clause 4(3) of Part A of the Fifth Schedule states that the governor shall make rules regarding the constitution and procedures of the TAC According to the previous clause it is the governor who can refer any matter to the TAC for advice regarding the welfare and advancement of tribes As a matter of fact some years back it was the governor who presided over the meetings of the TAC Somehow the constitutional obligation of the governor came to be informally delegated to the ministry

That the governor has discretionary powers, independent of the ministry in performing the functions specified in the Fifth Schedule is categorically expressed in Clause 5(1) of Part A which reads as follows "Notwithstanding anything in this constitution, the governor may by public notification direct that any particular act of parliament or of legislature of the state shall not apply to a scheduled area or any part thereof in the state, or shall apply to a scheduled area or any part thereof in the state subject to such exceptions and modification as he may specify in the notification and any direction given under this special paragraph may be given so as to have retrospective effect' The special position of the governor in respect of the scheduled areas becomes more clear when we look back at the excluded and partially excluded areas in the 1935 Act which provided the model for the Fifth Schedule of our constitution One of the clauses in the Instrument of Instructions to the Governor dealing with his special responsibilities in regard to the weaker sections of those areas reads He should normally be guided by his ministers unless in his opinion so to be guided would be inconsistent with his special responsibilities and with the proper discharge of any functions which he is otherwise under the act required to exercise in his individual judgment

So here is a case where the governor allowed the ministry to usurp his discretionary powers Even assuming for the sake of argument that the intentions of the governor and the ministry are one and the same on this issue still constitutional formalities cannot be replaced by consensual informalities What is more impor

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STRATEGIES FOR THIRD WORLD DEVELOPMENT

JOHN [illegible] (editor)

[illegible] there has been a tendency [illegible] development [illegible] economic [illegible] process [illegible] in fact it need to be [illegible] qualitative adjustment [illegible] change This book seeks to clarify the concept of development while emphasising its crucial pragmatic dimensions

The common aim of the eight essays which comprise this [illegible] to achieve a [illegible] between the academic and the practical in the process of understanding the concept of development Such a synthesis can then hopefully be used as a basis for evolving effective strategies for Third World development The contributors do not in any way try to evolve definitive Rather they emphasise the crucial human dimension while reflecting on the main currents and controversies which have featured in the development debate of the last decade

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tant is that the governor and the ministry should have carefully assessed the consequences of intended action

CONFUSION AND CHAOS

The acts of commission and omission committed by the Andhra Pradesh ministry have created utter confusion with the possibility of disturbing the peace in the scheduled areas The prevailing situation warrants that the governor should be called upon to send a report to the centre as per Clause 3 of Part A of the Fifth Schedule which says The governor of the state having scheduled areas shall annually or when required by the president make a report to the president regarding the administration of the scheduled areas in the state and the executive power of the union shall extend to the giving of direction to the state as to the administration of the said areas Following the meeting of the TAC on December 23 1988 the chief minister gave a statement that the regulation of 1970 should be deemed to have been repealed The legal absurdity of a deemed repeal of a regulation without an ordinance or an act of the legislature is too patent to need any comment What is of material importance in this context is the message it is expected to convey to the administrators and the citizens of the scheduled areas

Here is a situation where the government is contriving to achieve without going through the trouble of legislative action what under the constitution cannot be achieved otherwise It may be added that this bizarre situation had its origin in a small measure in an executive order passed in 1979 It has been allowed to continue in spite of the corrective administered by the high court In 1979 the government of Andhra Pradesh passed an order directing the officers not to evict the non tribals from the lands unlawfully occupied by them in the scheduled areas if the extent of their possession was less than 5 acres of wet land or 10 acres of dry land The high court struck down that order with strictures But from that time until now succeeding governments have not found it fit to formally repeal the order All that was done was to inform the officers concerned of the high court judgment which left the situation vague and uncertain Now to add to it, the chief minister has publicly stated on January 24 that the regulation of 1970 should be deemed to have been repealed In his view obviously, a *de facto* repeal of an act of legislature occurred the moment he uttered it, whatever might be the position *de jure* The force of this make believe performance could be seen from the way it prompted the Hyderabad columnist of *The Hindu* to write an article in which he stated, in no uncertain terms, that the regulation had been repealed *(The Hindu* February 3 1989)

What import does this have for the administration in the scheduled areas? The officers who are supposed to enforce the operational provisions of Regulation I of 1970 such as investigation into legalities of land ownership and eviction of unlawful occupants are obviously feeling perplexed The non tribal landholders are openly telling the officers that their efforts to investigate and evict them would be in vain as their possessions are going to be regularised with retrospective effect At a place called Mulug in the Warangal district an officer who served notices on non tribals was assaulted recently A few weeks back the project officer of the Integrated Tribal Development Agency at Utnoor was accused of going against the views of the government because he wanted to strictly enforce the existing regulations He had to publicly explain his stand that as long as there was a law it was his duty to administer it The crux of the matter is that there is ever so much more to be done if the objective of Regulation I of 1970 is to be achieved The magnitude of the problem can be judged by the fact that while 39 044 cases of non tribal occupation of lands in the scheduled areas had been detected by February 1983 the number had gone up to 54 101 by September 1988 This problem needs vigorous action But it is this very process that is being indirectly balked by the officially contrived impasse

The confusion and chaos that is now being witnessed in the administration of the scheduled areas of Andhra Pradesh should be enough cause for the governor to initiate discretionary action in accordance with the provisions of the Fifth Schedule The governor should consider taking the following steps immediately (1) To reconstitute the statutory TAC so that it includes only representatives of the scheduled areas because the TAC has a constitutional nexus only with the scheduled areas (There can be another informal advisory body for the scattered tribes) (2) To convene and preside over the reconstituted TAC and ascertain its views on matters relating to the welfare and advancement of the tribals and not the welfare and advancement of non tribals (3) To send a report to the president on the situation prevailing in the scheduled areas as a consequence of the ministry's efforts to repeal the protective laws and ask for necessary directive from the Union to the chief minister not to repeal the Regulation I of 1970 and on the other hand to instruct the officers not to grant new pattas to non-tribals in scheduled areas until investigations under Regulation I of 1970 are completed (4) To be prepared in the last resort to declare under Clause 5(1) of the Fifth Schedule that any retrogressive legislation if enacted by the legislature will not be applicable to the scheduled areas

If the ministry continues to be adamant and initiates retrogressive legislation and if the governor is unable to act promptly and ward off the danger, should the country watch the tragedy helplessly and be a dumb witness to the unceremonial burial of the Directive Principles and the Fifth Schedule of the constitution? What do life, liberty and freedom from external exploitation and educational and economic advancement guaranteed by Article 46 mean for the tribals of Andhra Pradesh? If the Fifth Schedule cannot come to the rescue of the tribals in Andhra Pradesh, then everyone interested in tribal welfare should plead, in the name of the Sixth Schedule, for the constitution of autonomous district councils in the hilly tracts of tribal concentration within the state The scheduled areas of Andhra Pradesh have a population of about 21 lakh of which about 13 lakh are tribals There may be justification for redrawing the boundaries of scheduled areas here and there as some non tribal leaders have pointed out It will be better if the scheduled areas remain compact with majority tribal populations and have self-governance and autonomy of their own, without being swamped by a large number of exploitative non tribals living in their midst

The history of tribal development in north eastern India indicates that remarkable achievements have been possible under a system of self governance by the tribal people One striking example is that of Arunachal Pradesh which had the lowest level of literacy in the country at the time of independence, but has now come to approximately the average literacy level for the whole country In contrast, the tribes of Andhra Pradesh have a literacy level of 7 8 per cent, the lowest among the tribal population in any state in the country Hence in the present circumstances, with the attitude of Andhra Pradesh ministry being what it is, there is no future for the tribals unless administrative autonomy is ensured for the scheduled areas As for the rest of the tribals living in small pockets amdist the other population, their problems need to be dealt with on a different level In any case the AP ministry, the governor and the union government should not, by their acts of commission and omission, drive the tribals to the desperate conclusion that only violent action can ward off their doom

Britain's 'Ten-Year Itch' under Thatcher Administration

I V Sathyamurthy

The changes that are likely to follow the Tory debacle in the 1989 European election will almost certainly weaken the Thatcher government. Whether or not the Labour Party will be ready to take over will depend on its capacity to consolidate the gains already achieved and to put together a viable package aimed at undoing some of the major damages inflicted during ten years of purblind Torvism.

THE lady is still not for turning. But the political tide seems set for turning, at long last, away from the Tories, though not yet decisively in the direction of a refurbished Labour. Already prior to the local elections in May, the British economy was showing signs of geriatric fatigue caused mainly by the strains imposed upon the monetarist strategy of the government which had come to be focused on the essentially divergent ways of the prime minister under the influence of Sir Walter Allen on the one hand, and on the other her chancellor of the exchequer.

The differences between the prime minister and the chancellor go back to the weeks immediately following the presentation of the 1988-89 budget in parliament. A government which had ridden to power on the strength of the promise that it would keep inflation down even at the cost of rising unemployment had, within nine years in office, reached a stage at which it had shown itself to be unable to prevent a resurgence of inflation against a background of falling unemployment. The chancellor's approach to the mounting difficulties faced by the economy has rested on bringing the British economy more in line with the European Community, with the aim of integrating it with the European Monetary System as soon as practicable, thereby eliminating the need for a strong pound as a factor affecting the economy. The prime minister's attitude to the question of exchange rate tactic of combating inflation by putting up the bank base rate and interest rates, and the vexed question of Britain joining EMS have been increasingly at odds with the chancellor's general approach to what he sees as the immediate problems confronting the economy.

Repeatedly papered over by statements from Margaret Thatcher unconvincingly defending Lawson, their differences have festered during the last twelve months or so as the economy has showed fewer and fewer signs of responding to the chancellor's nostrums applied in the face of the prime minister's scarcely concealed doubts about their rightness or efficacy. Inflation, the great enemy of the British economy which the Tories claimed they alone knew how to defeat, is once again looming menacingly and definitely on the political horizon.

It would appear that the prime minister's political instinct deserted her when she decided to embark upon a policy of striking a discordant note on the question of Britain's alignment with the rest of Europe in respect of the progress toward a united Europe leading up to the opening of the next big chapter of integration in 1992 under the provisions of the Single European Act. The differences between the pro-European elements in the Tory Party and the anti-Europeans led by the prime minister herself became more and more pronounced during the months leading up to the recent general election to the Strasbourg parliament. Over the months they have come to be lodged at the very heart of the cabinet itself, with the foreign secretary and the chancellor preferring a more co-operative stance on Britain's part towards European integration (at least the economic side of it, if not yet the political side involving such issues as no border checks) in opposition to the prime minister's open hostility to what she derisively dismisses as the Brussels bureaucracy and socialism through the European backdoor. During the weeks prior to the European election, the prime minister was strident in her condemnation of the 'social charter' embodying the rights of workers which the new parliament is vigorously and enthusiastically poised to adopt.

In sharp contrast to the disarray in the Conservative Party over the government's policy on Europe (often obfuscated by the contradictory lines pursued in public by the prime minister and Heath, her Tory predecessor, into a personal conflict), the Labour Party has been able to overcome its earlier chauvinism and forge a united outlook on Europe and what needs to be done about it as Britain approaches 1992. It was only in November 1988 that Labour was still in the doldrums, apparently lacking a sense of direction and coherence of outlook, and shattered by the defeat that it suffered in the parliamentary by-election for Govan where victory was snatched from it by the Scottish Nationalists in one of the biggest electoral upsets of post-war history. Since then, the Labour Party has regrouped itself into an effective opposition, partly by taking advantage of the increasingly beleaguered position in which the government is finding itself in relation to the economy, but mainly by putting together a far-reaching and comprehensive policy review, in the form of a set of policies embracing the sphere of government as a whole, from defence and foreign affairs to economic welfare and European matters, effectively providing for the first time a credible challenge to the government's policies, by now somewhat ragged at the edges.

Political observers have been well placed to evaluate the impact on the electorate of these big changes under way in the strategies adopted by government and opposition through the results of the local elections in May and the European parliamentary election of June, held simultaneously with the parliamentary by-elections to the Vauxhall (London) and Glasgow Central (Scotland) constituencies. Despite the fact that Labour's new policy has been arrived at by ditching the old consensus between the left and the rest of the party in favour of pragmatic policies reflecting reality on the ground, there was a fear in the early stages of its public unveiling that it might misfire by being mistimed. In the event, however, the high risk strategy of Labour presenting its new policy to the electorate in advance of, rather than after, the European election would appear to have paid off. For the first time in the ten years of Thatcher government, three successive electoral events spread over a period of six weeks have demonstrated that the new surge of support for Labour is holding, and by the same token, opposition to the Tories shows every sign of intensifying rather than abating. Labour may well have installed itself in British politics during the Thatcher era as a credible alternative to the ruling party.

In both the by-elections, Labour has won convincing victories. Its performance at Glasgow Central, where the main rival was the Scottish National Party (SNP), has once again brought it to the centre of Scottish politics as the most reliable barometer of Scottish opinion on devolution within the national and European contexts. Despite a slight reduction in the proportion of total votes polled, labour was well ahead of SNP, leaving the Tories far behind. The ghost of Govan had thus been laid, at least for the foreseeable future. In Vauxhall, where the Labour

Party was at odds with the constituency organisation by imposing Kate Hoey as the candidate, an independent black labour candidate was rejected by the electorate The Vauxhall victory against Tories and local dissidents alike was of an even higher order than the victory at the Glasgow Central hustings

If Labour s victories at the by elections to relatively safe seats—overcoming minor minefields in the form of SNP s all out attack in Glasgow Central against both the main parties using as a major plank its plan to campaign against payment of the hated community charge and against the aggrieved and defiant black sections of the constituency party in Vauxhall—was not a convincing enough proof of its resurgence the results of the European elections demonstrated that labour s new political reach went beyond regional divisions and was fast extending to cover the country as a whole It made solid gains not only in the hinterland of the north and in Scotland (where except for Lwing of SNP all the seats went to Labour) but also won surprising victories in the south and in the London area displacing Tories by large and convincing margins

The Labour campaign contrasted sharply with the Conservative campaign both in style and in substance It was entrusted to Bryan Gould himself a latter convert to the community whose packaging of Labour policy in the 1987 general election had attracted much admiration even among the Tories He orchestrated a powerful campaign urging the electorate that Britain's place was in Europe which it ought to enter without any moral reservation Labour's support for the European social charter, entry into the European Monetary System (EMS) and systematic progress towards a single economic and political Europe, put the divided Tory Party on the defensive

The fact that the prime minister herself led the anti-European camp in the ruling party completely undermined the Conservative campaign At the same time, the all but unseemly quarrel between neighbours on Downing Street and the timing of the Spanish government s decision to take the peseta into EMS with effect from June 19 (thus leaving out only the Greek drachma, the Protuguese escudo and the British pound) highlighted Britain's isolation in a crucial sphere of European integration

The shrillness with which Margaret Thatcher chose to arraign the 'Brussels bureaucracy', 'European socialism', and the 'social charter' had the effect of leaving Tory voters, already dissatisfied with her style of government, indifferent to the issues raised by her on the one hand and 'pro-European' Tories on the other, positively angry Among Tory MEPs, several including Lord Plumb (the outgoing president of the parliament) openly opposed Margaret Thatcher s stand on Europe All in all the Tory campaign during the 1989 European parliamentary elections was in a shambles The Tory election broadcast on the eve of the polls was widely regarded as revealing a positively menacing feature of the Thatcher government beating an enforced retreat from the citadel of power By comparison with the substantial rift in the inner circles the public spectacle of the prime minister and her Tory predecesor quarrelling like Kilkenny cats over Europe was a mere diversion The leader of the opposition was in a position to derive maximum political advantage by turning the patriotic table on the prime minister and characterising her anti British in a many nuanced sense of that epithet!

With a voter turn out of 35 40 per cent (varying from region to region and constituency to constituency) Labour won 40 2 per cent of the total vote (over 6 million) against the Conservative Party s worst electoral performance during this century (and worst but one performance in the entire history of elections in the country) polling 34 1 per cent (5 2 million) Disgruntled Tory voters (especially in the south) either stayed away from the polls or cast their votes for the Green Party (rather than as in the past the Liberals or SDP) thus signalling that their disapproval of the regime stemmed as much from their disillusionment with its domestic as from its European policies Whilst the bottom of the traditional centre in British politics was thus knocked out the Green Party came of electoral age by winning the third place in the national count by polling 14 99 per cent of the total votes cast (2 3 million)

Britain s manifestly unfair first past the post system (in contrast to the more robust variations of 'proportional representation practised on the continent) produced the absurd result of the Greens not obtaining a single seat in the European parliament thus taking the struggle for fair and equitable representation one step further even in this anomalous bourgeois parliamentary democratic system In Scotland and in Wales not a single Tory MEP was returned

For the first time, too, the Tory Party has fallen short of being the party of the south, whilst it has failed to make any new gains in the north of England With 45 MEPs returned to Strasbourg, Labour has gained 13 seats and is all set to play a substantial part in the socialist bloc of the parliament as well as in the coalition involving it and the Christian Democrats With 32 seats (13 down from its previous strength), and with several European groups belonging to the centre right coalition deserting the ship to join forces with the Christian Democrat led group in the new parliament the British Tory contingent in Strasbourg (along with a few stragglers such as the two solitary Danish Conservative MEPs) is doomed to present a sorry spectacle of a spent force witnessing changes which it can do nothing to stop

The changes that are likely to follow the Tory debacle in the 1989 European election will almost certainly weaken the government Short of a miracle the road that Margaret Thatcher has taken can only lead to political oblivion The invincible Iron Lady is poised to lead her flock to its next electoral doom this time in the national setting of a general election in 1991 or 1992 Whether or not the Labour Party will be ready to take over will depend on the capacity that it brings to the task of consolidation of gains already achieved and of putting together a viable policy package aimed at undoing some of the major damages inflicted during ten years of purblind Toryism of the worst kind that has plagued Britain during this century

SPCL

SUMITRA PHARMACEUTICALS AND CHEMICALS (SPCL) incorporated in 1988 is promoted by Ramesh Jain B D Jain and Suresh Kumar SPCL is setting up a Bulk Drug Project to manufacture Ibuprofen and Mebendazole SPCL has been licensed to manufacture 2 000 tonnes per annum of Ibuprofen and 500 tonnes per annum of Mebendazole Initially the plant is being set up to produce 300 tonnes/annum of Ibuprofen and 50 tonnes/annum of Mebendazole in Medak district of Andhra Pradesh a notified central backward area The technical know how and detailed engineering for the project will be provided by Threelinga Technical and Management Consultants

The project cost has been estimated at Rs 615 lakh and is proposed to be financed as follows Equity promoters—Rs 107 lakh, public—Rs 308 lakh term loans—Rs 200 lakh The project has been appraised jointly by SBI Capital Markets and State Bank of Hyderabad The company has received the Controller of Capital Issues consent for the proposed public issue, with a reservation for preferential allotment to non-resident Indians and persons of Indian origin residing abroad on repatriation basis—Rs 123 20 lakh SBI Capital Market—Rs 20 00 lakh, and employees (including Indian working directors/workers of the company—5 per cent of the total issue.

THE MITSUI BANK LIMITED

(INCORPORATED IN JAPAN WITH LIMITED LIABILITY)

BALANCE SHEET OF BOMBAY BRANCH AS AT 31ST MARCH, 1989

As at 31st December 1987 Rs P	CAPITAL AND LIABILITIES	Rs P	As at 31st March 1989 Rs P	As at 31st December 1987 Rs P	PROPERTY AND ASSETS	Rs P	As at 31st March 1989 Rs P
	1 Capital				**1 Cash**		
	Deposited with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act 1949			1 74 08 [illegible]	In hand and with Reserve Bank of India and State Bank of India (including foreign currency notes)		5 14 13 511 83
	1) 6¾% I C I C I Bonds 1999 of the face value of Rs 15 00 000 included in investment as per contra			[illegible] 558 65	**2 Balances with Other Banks**		
					(i) In India	[illegible]	
					(ii) Outside India	11 [illegible] 10	
	2) 6¾% I C I C I Bonds 2000 of the face value of Rs 20 00 000/ included in investment as per contra			9 [illegible] 558 65			[illegible]
					3 Money at Call and Short Notice		
	3) 8¾% I C I C I Bonds 2000 of the face value of Rs 10 00 000/ included in investment as per contra				**4 Investments** (At Cost)		
					Securities of the Central and State Governments and other Trustee securities including Treasury Bills of the Central and State Governments	[illegible]	
	4) 7½% I C I C I Bonds 1998 of the face value of Rs 10 00 000/ included in investment as per contra			3 30 17 [illegible] 00			
				17 47 [illegible] 00	Shares fully paid up equity shares	1 07 500 00	
	5) 6½% I C I C I Bonds 1999 of the face value of Rs 10 00 000 included in investment as per contra			3 5 12 500 00	Debentures and Bonds	4 32 12 500 00	
				7 59 [illegible] 50 00			10 8 04 [illegible] 00
	6) 7¼% I C I C I Bonds 2001 of the face value of Rs 10 00 000/ included in investment as per contra				**5 Advances** (Other than bad and doubtful debts for which provision has been made to the satisfaction of the auditors)		
					I Loans Cash Credits Overdrafts etc		
—	**2 Reserve Fund and Other Reserves**		[illegible] 01 851 07	10 8 55 903 [illegible]	(i) In India	1 [illegible] 0 54 440 62	
					(ii) Outside India		
	3 Deposits and Other Accounts				II Bills discounted and purchased (excluding Treasury Bills of the Central and State Governments)		
	Fixed Deposits						
75 00 000 00	From Banks	—					
6 68 01 579 84	From others	5 99 [illegible] 827 99					
3 62 17 819 88	Savings Bank Deposits	3 35 16 338 49		2 31 61 487 15	(i) Payable in India	6 44 95 940 27	
	Current Accounts			50 35 373 08	(ii) Payable outside India	31 92 520 78	
	Contingency Accounts etc			13 66 52 763 50			23 97 42 901 67
2 13 410 71	From Banks	27 [illegible]56 51					
5 05 65 904 41	From others	6 [illegible] 60 [illegible] 90					
16 12 98 714 84			15 96 56 025 8[illegible]		*Note* Particulars of Advances as per Schedule A annexed		
	4 Borrowings from Other Banking Companies Agents etc. (Secured)				**6 Bills Receivable being Bills for Collection As Per Contra**		
5 22 52 025 14	(i) In India	21 00 78 162 44					
—	(ii) Outside India	—					
5 22 52 025 14			21 00 78 162 44	17 46 339 21	(i) Payable in India	3 76 208 33	
				53 94 316 59	(ii) Payable Outside India	1 52 13 490 37	
29 72 073 66	**5 Bills Payable**		62 60 357 92	71 40 655 80			1 55 89 698 70
21 65 22 813 64	Carried Forward		37 81 99 387 32	23 82 02 194 71	Carried Forward		41 51 91 227 09

THE MITSUI BANK LIMITED

(INCORPORATED IN JAPAN WITH LIMITED LIABILITY)

BALANCE SHEET OF BOMBAY BRANCH AS AT 31ST MARCH 1989

As at 31st December 1987 Rs P	CAPITAL AND LIABILITIES	Rs P	As at 31st March 1989 Rs P	As at 31st December 1987 Rs P	PROPERTY AND ASSETS	Rs P	As at 31st March 1989 Rs P
[illegible]	Brought Forward		37 81 [illegible]	[illegible] 82 02 [illegible] 71	Brought Forward		41 51 91 227 09
	6 Bills for Collection being Bills Receivable As Per Contra				**7 Constituents Liabilities for Acceptances Endorsements and Other Obligations**		
[illegible]	(i) Payable in India	[illegible] 208 33					
[illegible]	(ii) Payable outside India	[illegible]		13 12 44 842 76	**As Per Contra**		24 25 69 468 73
[illegible]			1 55 [illegible]		**8 Premises Less Depreciation**		—
	7 Other Liabilities				**9 Furniture and Fixtures etc**		
[illegible]	Head Office Branches and Agencies outside India	[illegible]			Original Cost		
[illegible]	[illegible]				Balance as per last		
[illegible]	Other Liabilities	70 83 [illegible] 81		[illegible]	Balance Sheet	43 39 [illegible] 73	
[illegible]			[illegible]	[illegible] 558 00	*Add* Additions during the year	2 88 465 40	
	8 Acceptances Endorsements and Other Obligations			[illegible]		46 27 945 13	
[illegible]	**As Per Contra**		[illegible]		*Less* Sales and adjustments	3 41 313 13	
	9 Profit and Loss			[illegible]		42 86 632 00	
[illegible]	Profits as per last balance sheet	1 83 18 [illegible]			*Less* Depreciation written off (including adjustments) to date	31 71 323 15	
[illegible]	*Less* Appropriations			28 [illegible] 386 [illegible]			
[illegible]		1 83 18 [illegible]		15 17 [illegible] 80			11 15 308 85
	Add Profit for the year brought from the Profit and Loss Account	88 [illegible]			**10 Other Assets**		
[illegible]				7 07 255 86	Prepaid Expenses	4 [illegible] 438 37	
[illegible]			[illegible] 71 38 [illegible] 71	[illegible] 04 134 95	Interest Accrued on Investments	25 53 633 06	
	10 Contingent Liabilities				Interest Exchange Difference etc Receivable	40 80 606 88	
	(i) On outstanding forward exchange contracts	13 07 55 248 [illegible]		16 63 [illegible] 95	Head Office Branches and Agencies Outside India	16 68 991 06	
[illegible]	(ii) On Guarantees issued on behalf of constituents	11 13 25 [illegible]		24 [illegible] 783 86	Deposits	39 16 681 25	
[illegible]	(iii) On partly paid share			[illegible] 86 290 00	Construction in Progress	4 80 37 811 00	
4 50 00 000 00	(iv) Our Bills Rediscounted	4 50 00 000 00		1 00 84 164 62			6 07 49 161 62
38 10 48 [illegible]	TOTAL Rs		71 [illegible]	38 10 48 [illegible] 89	TOTAL Rs		71 96 25 166 29

NOTES As per Schedule B annexed

As Per Our Report of Even Date

For S B BILLIMORIA & CO
Chartered Accountants

Sd
(Y H MALEGAM)
Partner

For THE MITSUI BANK LTD

Sd/
(K NAKANO)
General Manager and Chief Executive Officer in India

Bombay 27th June 1989

THE MITSUI BANK LIMITED

(INCORPORATED IN JAPAN WITH LIMITED LIABILITY)

PROFIT AND LOSS ACCOUNT OF BOMBAY BRANCH FOR THE 15 MONTH PERIOD ENDED 31ST MARCH 1989

12 months ended 31.12.1987 Rs P	EXPENDITURE	15 months ended 31.3.1989 Rs P	12 months ended 31.12.1987 Rs P	INCOME (Less Provisions made during the period for bad and doubtful debts and other usual or necessary provisions)	15 months ended 31.3.1989 Rs P
2 26 62 450 43	Interest paid on deposits borrowings etc	3 53 [illegible] 01 7	3 94 65 [illegible] 09	Interest and Discount	4 78 07 640 79
	Salaries allowances gratuity & provident fund (including Bonus paid Rs 51 702 22 for the previous year)		58 51 6[illegible] 3 03	Commission Exchange and Brokerage	1 13 44 098 62
49 [illegible] 35 3 41		65 07 783 75		Rent	
	Directors and local committee members fees and allowances			Net Profit on sale of Investments Gold & Silver Land Premises and Other Assets (not credited to Reserve or any Particular Fund or Account)	
3 000 00		10 500 00			
6 70 946 09	Rent Taxes Insurance Lighting etc	11 66 5 4 36		Net Profit on revaluation of Investments Gold and Silver Land Premises and Other Assets (not credited to Reserve or any Particular Fund or Account)	
9 005 00	Law Charges	1 08 331 65			
6 78 931 76	Postage Telegrams and Stamps	11 [illegible] 0 83			
50 000 00	Auditors Fees	3 500 00		Income from Non Banking Assets and Profit from sale of or dealing with such Assets	
8 15 127 72	Depreciation on & repairs to Banking Company's Property	8 18 3 [illegible] 64	[illegible] 143 12	Other receipts	3 467 00
2 15 678	Stationery Printing Advertising etc	27 053 68		Net Loss	
	Loss on Sale of or dealing with Non Banking Assets				
15 85 709 08	Other Expenditure	3 [illegible] 78 7 13			
	Loss on Revaluation of Investments				
	Provision for Statutory Reserves	[illegible] 04 851 07			
36 18 790 54	Net Profit	88 13 401 [illegible] 7			
3 53 22 998 31	TOTAL RUPEES	5 91 55 194 41	3 53 22 998 31	TOTAL RUPEES	5 91 55 194 41

Notes Forming Part of the Accounts for the 15 Month Period ended March 31, 1989

Particulars of remuneration relating to the Bank's General Manager and Chief Executive Officer in India

1 82 580 00	Salary	2 18 210 00
35 400 00	Allowance	49 440 00
–	Bonus	
	Employer's contribution to Provident Fund or any other funds	
31 293 26	Monetary value of perquisites	38 003 0
2 49 273 26		3 36 353 02

Schedule B

1 **Basis of accounting**

The foregoing financial statements have been prepared in conformity with generally accepted accounting principles and conform with the practices within the banking industry

2 **Head Office administrative expenses**

The head office administrative expenses have not been debited to the profit and loss account but the bank proposes to claim the same for tax purposes

3 **Investments**

Investments are valued at cost The total market value of quoted investments exceeds the cost

4 **General**

(a) Previous year's figures have been regrouped where necessary

(b) Previous year's figures are not comparable as the financial statements are prepared for a period of 15 months due to amendment to the Banking Regulations Act 1949

5 The income tax department has preferred appeals to the higher appellate authorities against the appellate orders in favour of the bank The contingent liability on this account is estimated at Rs 95 45 lakhs

As Per Our Report of Even Date

For S B BILLIMORIA & CO
Chartered Accountants

Sd/
(Y H MALEGAM)
Partner

Bombay 27th June 1989

For THE MITSUI BANK LTD

Sd/
(K NAKANO)
General Manager and
Chief Executive Officer in India

THE MITSUI BANK LIMITED

(INCORPORATED IN JAPAN WITH LIMITED LIABILITY)

SCHEDULE 'A'

Schedule of Particulars of Advances required by the Banking Regulation Act, 1949 (Act X of 1949) annexed to and forming part of the Balance Sheet as at 31st March, 1989

31st December 1988 Rs P	PARTICULARS	31st March 1989 Rs P	31st December 1987 Rs P	PARTICULARS	31st March 1989 Rs P
	1 Debts considered good in respect of which the Banking Company is fully secured	18 15 [illegible] 00	[illegible] 50 [illegible] 25 00	5 Debts due by Directors or Officers of the Banking Company or any of them either severally or jointly with any other persons	10 09 180 00
	Debts not fully secured but which the Banking Company has in its own rights securities other than the [illegible] securities	[illegible]		6 Debts due by companies or firms in which the directors of the banking company are interested as directors partners or managing agents or in the case of private companies as members	NIL
[illegible]	2 Debts considered good secured by the personal liability of one or more parties in addition to the mortgage of securities of [illegible]	[illegible]	NIL	7 Maximum total amount of advances including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons	10 86 695 00
NIL	3 Debts considered bad for which adequate provision has been made	NIL	[illegible] 55 [illegible] 75 00	8 Maximum total amount of advances including temporary advances granted during the year to companies or firms in which the directors of the Banking Company are interested as directors partners or in the case of private companies as members	NIL
			NIL	9 Due from banking companies	NIL
[illegible]	TOTAL	[illegible]			

Auditors' Report

We have audited the Balance Sheet of the Bombay Branch of The Mitsui Bank Limited as at 31st March 1989 signed by us under reference to this report and the relative Profit and Loss Account of the Bombay Branch of the Bank for the fifteen month period ended on that date with the books of account maintained and produced to us at Bombay.

In accordance with the provisions of Section 29 of the Banking Regulation Act 1949 read with the provisions of Sub-section (1) (a) and (5) of Section 211 and Sub-section (5) of Section 217 of the Companies Act 1956 the Balance Sheet and Profit and Loss Account together with the notes thereon are not required to be and are not drawn up in accordance with Schedule VI of the Companies Act 1956. The accounts are therefore drawn up in conformity with Form A and B of the Third Schedule of the Banking Regulation Act 1949.

We report that

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and found them to be satisfactory

(b) the transactions which have come to our notice have been in our opinion within the powers of the Bombay Branch of the Bank

(c) in our opinion proper books of account as required by law have been kept by the Bombay Branch so far as it appears from our examination of those books

(d) the above mentioned Balance Sheet and Profit and Loss Account of the Bombay Branch of the Bank dealt with by this report are in agreement with the books of account

(e) in our opinion and to the best of our information and according to the explanations given to us the accounts together with the notes thereon give the information required by the Companies Act 1956 in the manner so required for Banking Companies and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Bombay Branch of the Bank as at March 31 1989 and the Profit and Loss Account gives a true and fair view of the profit of the Bombay Branch for the fifteen month ended on that date

for S B BILIMORIA & CO
Chartered Accountants

(Sd/-)
(Y H MALEGAM)
Partner

Bombay 2 th June 1989

بنك ابوظبي التجاري المحدود

Abu Dhabi Commercial Bank Limited

تأسس بدولة الامارات العربية المتحدة بمسؤولية محدودة

Incorporated in the United Arab Emirates with Limited Liability

BOMBAY BRANCH
BALANCE SHEET AS AT 31ST MARCH, 1989

31.12.1987	CAPITAL AND LIABILITIES	31.3.1989 R	Rs
	1 Capital (Abu Dhabi Head Office)		
	Amount deposited with Reserve Bank of India under section 11(2) of the Banking Regulation Act 1949 (In		
3 100 000	Approved Securities)	3 100 000	
	2 Reserve Fund and Other Reserves		
	Reserve Fund as per last		
1 391 313	Balance Sheet	1 579 814	
188 501	Additions made during the year	632 248	
1 579 814		2 212 062	
	Other Reserves		
	Other Reserves as per last		
563 062	Balance Sheet	563 062	
Nil	Additions made during the year	192 108	
563 062		755 170	
2 142 876			[illegible]
	3 Deposits and Other Accounts		
	Fixed Deposits		
10 000 000	(i) From Banks Nil		
79 438 043	(ii) From Others [illegible]		
89 438 043		[illegible]	
	Savings Bank Deposits		
Nil	(i) From Banks Nil		
11 226 385	(ii) From Others 15 757 049		
11 226 385		[illegible]	
[illegible]			[illegible]

31.12.1987	PROPERTY AND ASSETS		31.3.1989 R	Rs
	Cash			
	In hand and with Reserve Bank of India and State Bank of India			
3 795 073	(including foreign currency notes)			41 178 328
	2 Balance with other Banks			
	On current account			
18 345 749	(i) In India	21 433 068		
2 656 620	(ii) Outside India	576 759		
21 002 369			22 009 827	
	On Deposit Account			
Nil	(i) In India	Nil		
Nil	(ii) Outside India	Nil		
21 002 369			Nil	
				22 009 827
500 000	**3 Money at call and short notice**			Nil
	4 Investments (At cost)			
	(i) Securities of the Central and State Governments and other Trustee securities including Treasury Bills		44 417 275	
19 339 775	(ii) Shares		Nil	
3 955 000	(iii) Debentures or Bonds (Approved Securities)		23 000 000	
43 294 275			67 417 275	
530 000	(iv) Other Investments		530 000	
Nil	Gold		Nil	
43 824 275				67 947 275
	5 Advances			
	(Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)			
	(i) Loans Cash Credits Overdrafts etc.			
26 267 933	(ii) In India	33 048 918		
Nil	(iii) Outside India	Nil		
26 267 933			[illegible]	

		Current and Contingency Accounts etc				(ii) Bill discounted and purchased (Excluding Treasury Bills of the Central & State Government)	
622 369		(i) From Banks	[illegible]		[illegible]	(i) Payable in India 158 313 371	
94 344 770		(ii) From Others	[illegible]		514 453	(ii) Payable outside India 1 144 930	
94 967 139			[illegible]		[illegible]		159 449 301
195 631 507				[illegible]	109 471 15		192 498 219
		4 **Borrowings from other Banking Companies Agents etc**				**Particulars of Advances**	
Nil		(i) In India	Nil		20 849 708	(i) Debts considered good in respect of which the Bank is fully secured	29 749 958
Nil		(ii) Outside India	Nil			(ii) Debts considered good for which the Bank holds no other security than the debtors personal security	4 750 630
Nil			Nil		5 971 18	(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	157 997 631
		Particulars				(iv) Debts considered doubtful	Nil
Nil		(i) Secured	Nil		82 650 271		192 498 219
Nil		(ii) Unsecured	Nil		Nil		
21 431 569		5 **Bills payable**		[illegible]	109 471 [illegible]	(v) Debts due by Directors or Officers of the Bank or any of them either severally or jointly with any other persons	Nil
		6 **Bills for collection being bills receivable as per contra**				(vi) Debts due by companies or firms in which the Directors of the Bank are interested as Directors Partners or Managing Agents or in the case of Private companies as members	Nil
735 069		(i) Payable in India	[illegible]			(vii) Maximum total amount of advances including temporary advances made at any time during the year to Directors or Managers or Officers of the Bank or any of them either severally or jointly with any other person	61 500
3 143 472		(ii) Payable outside India	13 804 591			(viii) Maximum total amount of advances including temporary advances granted during the year to the companies or firms in which the Directors of the Bank are interested as Directors Partners or Managing Agents or in the case of Private companies as members	Nil
3 878 541				[illegible]	Nil	(ix) Due from Banking Companies	Nil
		7 **Other Liabilities**				6 **Bills receivable being bills for collection as per contra**	
		Branch Adjustment				(i) Payable in India	8 211 462
20 622 434		Abu Dhabi (Head Office	[illegible]			(ii) Payable outside India	13 804 591
Nil		Unclaimed Dividend	Nil				22 016 053
1 532 057		Rebate on bills discounted	[illegible]		Nil		
22 154 491				[illegible]		7 **Constituents Liabilities for Acceptances Endorsements and Other Obligations per contra**	
		8 **Acceptances Endorsements and other obligations as per contra**					
2 067 432				589 000	2 067 432		589 000
Nil		9 **Profit and Loss**		[illegible]			
		10 **Contingent Liabilities**			Nil		61 500
Nil		(i) Claims against the Bank not acknowledged as debts	Nil				
Nil		(ii) On Letters of Guarantee on behalf of Directors Officers	Nil				
36 906 594		(iii) On Letters of Guarantee on behalf of constituents	[illegible]				
39 000 000		(iv) Liabilities on Bills of Exchange Rediscounted	[illegible]		Nil Nil		Nil Nil
276 929 004		(v) Liabilities on account of outstanding forward exchange contract	450 303 622				
247 306 476		Carried forward		492 272 715	212 549 749	Carried forward	346 238 702

بنك ابوظبي التجاري المحدود

Abu Dhabi Commercial Bank Limited

تأسس بدولة الامارات العربية المتحدة بمسؤولية محدودة

Incorporated in the United Arab Emirates with Limited Liability

BOMBAY BRANCH
BALANCE SHEET AS AT 31ST MARCH, 1989

31 12 1987	CAPITAL & LIABILITIES Rs	31 3 1989 Rs	31 12 1987	PROPERTY AND ASSETS	Rs	31 3 1989 Rs
247 306 476	Brought forward	392 272 715	212 549 749	Brought forward		346 238 702
				8 Premises		
			771 031	Cost as per last Balance Sheet	771 031	
			Nil	Add Cost of Additions during the year	812 809	
			771 031		1 583 840	
			Nil	Less Deduction during the year	647 750	
			771 031		936 090	
			258 249	Less Amount written off to date for depreciation	268 337	
			512 782			667 753
				9 Furniture and Fixtures (including Vehicles and Equipments)		
			4 730 [illegible]2	Cost as per last Balance Sheet	5 222 325	
			505 643	Add Additions made during the year	3 606 842	
			5 236 135		8 829 167	
			13 810	Less Deductions during the year	158 181	
			5 222 325		8 670 986	
			3 [illegible] 664	Less Amount written off to date for depreciation	4 830 513	
			1 5[illegible]			3 840 473
				10 Other Assets		
			15 786 233	Branch Adjustments Abu Dhabi Head Office	15 786 233	
			943 443	Interest accrued on Investments	2 939 009	
			276 370	Interest paid in advance	473 428	
			[illegible] 559 555	Income Tax deducted at Source	6 453 745	
			8 909 849	Income tax paid in advance	13 814 351	
			94 622	Suspense Receivable	93 913	
			[illegible] 810 179	Sundry Advances Deposits Stamps Stationery Safe Deposit Boxes	1 965 108	
			5 609 608			41 525 787
				11 Non Banking Assets		
			Nil	Acquired in satisfaction of claims		Nil
			Nil	**12 Profit and Loss**		Nil
247 306 476	TOTAL	392 272 715	[illegible]	TOTAL		392 272 715

IN TERMS OF OUR ATTACHED REPORT OF EVEN DATE

For S R BATLIBOI & COMPANY
Chartered Accountants

BOMBAY
DATED 28th JUNE 1989

NOWSHIR H MIRZA
PARTNER

For ABU DHABI COMMERCIAL BANK LIMITED
Bombay Branch

BOMBAY
DATED 28th JUNE 1989

EBRAHIM ABDUL RAHMAN
CHIEF EXECUTIVE—INDIA

بنك ابوظبي التجاري المحدود

Abu Dhabi Commercial Bank Limited

تأسس بدولة الامارات العربية المتحدة بمسؤولية محدودة

Incorporated in the United Arab Emirates with Limited Liability

BOMBAY BRANCH

STATEMENT OF PROFIT AND LOSS AND RETAINED EARNINGS FOR THE PERIOD FROM 1ST JANUARY 1988 TO 31ST MARCH 1989

31 12 1987	EXPENDITURE	Rs	31 12 1987	INCOME	Rs
12 738 246	1 Interest paid on deposits borrowings etc	28 371 569		(*Less* Provision made during the year for Bad and Doubtful Debts and other usual or necessary provisions)	
2 483 743	2 Salaries and allowances and Provident Fund	3 932 616			
7 505	3 Directors and Local Committee Members fees and allowances	16 156	19 091 821	1 Interest and discount	39 764 569
513 011	4 Rents Taxes Insurance Lighting etc	1 062 817	2 555 188	2 Commission Exchange and Brokerage	3 450 925
19 617	5 Law Charges	33 992	Nil	3 Rents	Nil
360 710	6 Postage Telegrams and Stamps	819 260		4 Net profit on sale of investments gold and silver land premises and other assets (not credited to Reserves or any particular fund or account)	
35 000	7 Auditors fees	44 000	14 190		3 234 113
1 238 833	8 Depreciation on and Repairs to the Bank s property	2 628 976		5 Net profit on revaluation of investments gold and silver land premises and other assets (not credited to Reserves or any particular fund or account)	Nil
499 702	9 Stationery Printing Advertisement etc	923 802	Nil	6 Income from Non banking Assets and profit from sale of or dealing with such assets	Nil
Nil	10 Loss from Sale of or dealing with non banking assets	Nil	Nil	7 Other receipts	Nil
459 733	11 Other Expenditure	947 174	Nil	8 Loss for the year	Nil
2 362 595	12 Income Tax provision for the year	4 508 052			
942 504	13 Balance of Profits	3 161 193			
21 661 199		46 449 607	21 661 199		46 449 607
Nil	Balance of loss brought down	Nil	942 504	Balance of profits brought down	3 161 193
188 581	Transfer to Reserve Fund	632 238			
Nil	Transfer to other Reserve (Investment allowance)	192 108			
754 003	Transfer to Abu Dhabi (HO Blocked A/C)	Nil			
Nil	Balance of Profit carried over to Balance Sheet	2 336 847			
942 504		3 161 193	942 504		3 161 193
120 000	Particulars of Remuneration relating to the Banking Company s Manager/Chief Executive in India (i) Salary & Allowance	157 500			
934 210	(ii) Monetary value of any other benefits or perquisites including taxes thereon	1 391 757			
1 054 210		1 549 257			

IN TERMS OF OUR ATTACHED REPORT OF EVEN DATE

For S R BATLIBOI & COMPANY
Chartered Accountants

BOMBAY
DATED 28th JUNE 1989

NAWSHIR H MIRZA
PARTNER

BOMBAY
DATED 28th JUNE 1989

For ABU DHABI COMMERCIAL BANK LIMITED
Bombay Branch

EBRAHIM ABDUL RAHMAN
CHIEF EXECUTIVE—INDIA

بنك ابوظبي التجاري المحدود

Abu Dhabi Commercial Bank Limited

تأسس بدولة الامارات العربية المتحدة بمسؤولية محدودة

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BOMBAY BRANCH

PARTICULARS OF INVESTMENTS ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 1989 EXCLUDING ITEM (IV)—OTHER INVESTMENTS

	31st March 1989			31st December 1987		
	Face Value	Market Value	Book Value (At cost)	Face Value	Market Value	Book Value (At cost)
A 1 6% Government of India Loans 1988	—	—	—	2 000 000	1 962 000	1 [illegible]
2 6 5% Government of India Loans 2005	100 000	57 000	92 000	100 000	63 950	92 000
3 11 5% Government of India Loans 2015	12 378 000	12 427 512	12 349 275	7 378 000	7 341 110	7 480 775
4 11 5% Government of India Loans 2006	10 000 000	10 200 000	10 000 000	10 000 000	10 145 000	10 000 000
5 11 5% Government of India Loans 2008	22 000 000	22 000 000	21 976 000	—	—	—
B Shares of Empire Guide Co operative Housing Society Limited	—	—	—	500	5 [illegible]	5 [illegible]
C Debentures & Bonds (unquoted)						
1 Bonds fully paid 7 5% ICICI (2001) 4th Issue	—	—	—	9 000 000	8 955 [illegible]	8 955 000
2 Bonds fully paid 7 75% ICICI (2002)	5 000 000	5 000 000	5 000 000	5 000 000	5 000 000	5 000 000
3 Bonds fully paid 8 75% ICICI (2001)	1 000 000	1 000 000	1 000 000	1 000 000	1 000 000	1 000 000
4 Bonds fully paid 11% ICICI (2001)	1 500 000	1 497 000	1 500 000	1 500 000	1 497 000	1 500 000
5 Bonds fully paid 11 [illegible] ICICI (2002)	5 000 000	4 990 000	5 000 000	5 000 000	4 990 000	5 000 000
6 Bonds fully paid 11% IDBI (2002)	2 500 000	2 495 000	2 500 000	2 500 000	2 495 000	2 500 000
7 Bonds fully paid 11 5% IDBI (2008)	5 000 000	5 025 000	5 000 000	—	—	—
8 Bonds fully paid 11 5% IDBI (2009)	3 000 000	3 006 000	3 000 000	—	—	—
TOTAL	67 478 000	67 662 512	67 417 275	43 478 500	43 437 560	43 404 275

NOTES FORMING PART OF THE ACCOUNTS AS OF MARCH 31 1989

1 There is a contingent liability for rent on the branch premises as at March 31 1989 of Rs 13 23 lakhs (net of tax of Rs 24 57 lakhs) including Rs 3 15 lakhs (net of tax of Rs 5 85 lakhs) accrued during 1988 89 This liability would crystallise should the sale of the concerned premises to the bank not take place by February 29 1994

2 As per the bank s practice the provision for bad and doubtful debts maintained at the Bombay Branch is debited to the Profit and Loss Account of the Head Office, except to the extent of the interest income credited to the Interest Suspense Account in the Bombay branch books

3 Income tax disputed and in appeal aggregates to Rs 75 lakhs There is a further Rs 71 lakhs income tax on similar items for those years where assessments are pending Pending the outcome of appeal proceedings the said sums have not been provided for

4 The bank s policy is to account for Head Office charges in the branch s books when and to the extent Reserve Bank of India permits their remittance

5 In computing market value of unquoted investments book value of such investments has been taken into account

6 Assets and liabilities in foreign currencies are converted at the rates prevailing as of March 31 1989

7 Figures of the previous year have been regrouped to the extent necessary However, as the Profit and Loss Account for the current period is drawn up for fifteen months ended March 31 1989 corresponding figures for the previous year ended December 31 1987 are not wholly comparable

For S R BATLIBOI & COMPANY
Chartered Accountants

NAWSHIR MIRZA
PARTNER

BOMBAY
DATED 28th JUNE 1989

For ABU DHABI COMMERCIAL BANK LIMITED— Bombay Branch

EBRAHIM ABDUL RAHMAN
CHIEF EXECUTIVE—INDIA

بنك ابوظبي التجاري المحدود

Abu Dhabi Commercial Bank Limited

تأسس بدولة الامارات العربية المتحدة بمسؤولية محدودة

Incorporated in the United Arab Emirates with Limited Liability

BOMBAY BRANCH

AUDITORS' REPORT

AUDITORS' REPORT ON THE ACCOUNTS OF THE INDIAN BRANCH OF ABU DHABI COMMERCIAL BANK LIMITED UNDER SECTION 30 OF THE BANKING REGULATION ACT, 1949

1 We have audited the attached Balance Sheet of the Indian Branch of Abu Dhabi Commercial Bank Limited incorporated in Abu Dhabi as at 31st March 1989 and also the Profit and Loss Account annexed thereto for the fifteen months period ended on that date

2 The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act 1949 read with Section 211 of the Companies Act 1956

3 We report that

(a) we have obtained all the information and explanations to the best of our knowledge and belief which were necessary for the purposes of our audit and have found them to be satisfactory

(b) the transactions of the Indian Branch of the Bank which have come to our notice have been within their powers

(c) in our opinion subject to non provision of accruals vide paragraph 3(e) below proper books of account as required by law have been kept by the Indian Branch of the Bank so far as appears from our examination of the books

(d) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account

(e) in our opinion and to the best of our information and according to the explanations given to us such Balance Sheet and Profit and Loss Account subject to note 1 regarding rent and note 3 regarding taxes to the extent as stated therein give the information required by the Companies Act 1956 in the manner so required for Banking Companies and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Indian Branch of the Bank as at 31st March 1989 and the Profit and Loss Account gives a true and fair view of the Profit of the Indian Branch of the Bank for the fifteen month period ended on that date

For S R BATLIBOI & COMPANY
Chartered Accountants

Per NAWSHIR H MIRZA
PARTNER

BOMBAY
DATED 28th JUNE 1989

On Approaches to Apartheid

M S S Pandian

Race Class and the Apartheid State by Harold Wolpe, James Currey, London, OAU Addis Ababa and Unesco Press, Paris, 1988, pp 120

THIS slender volume on the history of apartheid in South Africa proceeds with two objectives First it intends to develop a critique of the existing theoretical positions on the relationship between race and class and the nature of the political system in South Africa Firstly this critique is a point of departure secondly the book aims to analyse the post 1948 political formation in South Africa within a historical perspective

The book is divided into five chapters The first two chapters provide through a review of literature a detailed theoretical critique of the existing South African studies In the third chapter the author informed by the shortcomings of the existing approaches sets out his own perspective on apartheid The last two chapters give a concrete analysis of the political formation in South Africa in the post 1948 period

THEORETICAL CRITIQUE

The book begins with identifying and criticising three theoretical closures which characterise the existing approaches to the South African political formation These theoretical closures are (1) over emphasis on the historical continuity of apartheid (2) class and race reductionisms and (3) over emphasis on the description of political struggles

The first theoretical closure i e the over emphasis on the historical continuity of apartheid is found in liberal racist and black consciousness literature Marxist literature on South Africa is also not totally free from this According to Wolpe this all pervading approach reduces the whole history of South Africa to a single catch all category of white domination and in that process fails to recognise and analyse the discontinuities in or the changing phases of South African political formation In other words, it does not account for "[the] emerging tensions and contradictions within the social system and structural transformation of the 'space in which conflicts are waged (p 6)

The second theoretical closure class and race reductionisms treats class and national struggles as separate and distinct modes of political intervention While the race reductionists treat politics as if it has nothing to do with the economy the class reductionists "allow the political only insofar as it reflects economically determined interests" Criticising this separation of class and national struggles the author shows that such a separation oversimplifies the political sphere and makes it impossible to analyse the complex interaction of these struggles in the political arena (p 18)

The last of the theoretical closures which the book analyses is the tendency to reduce analysis of politics to mere description of struggles While Wolpe agrees that description of struggles is important he notes that mere description of struggles delinks them from the wider structural contexts which give rise to them Thus this approach cannot even pose such central questions like how different structural contexts promote and constrain different forms of political struggle

In pursuing his critique further the author takes up in chapter 2 the different conceptions of the economy the state and politics found in South African studies for analysis Here Wolpe concentrates on the position of liberal modernisation theory on apartheid the concept of colonialism of a specific type which the African National Congress (ANC) believes in and the concept of South African fascism He also analyses the way in which the category of capitalist state is applied in South African studies

The liberal modernisation theory argues that racism originates and is reproduced outside the modern industrial or capitalist economy (p 25) and thus it does not aid capitalism but is in contradiction with it Granting an evolutionary role to capitalism it believes that the advancement of capitalism will subvert racism which is based on irrational considerations unlike capitalism But Wolpe argues that racism can indeed serve the interests of capitalism in certain contexts by supplying cheap labour etc as is the case in South Africa Further he notes the political implication of this approach is quite dangerous It pleads for limited intervention against racism as it believes that the economy left to itself, will, in its evolutionary advancement obliterate racism

According to the concept of colonialism of a specific type' The colonial structure guarantees the superior position and dominance of the white bloc as a whole and with it the specific interests of the different classes within that bloc Correspondingly, it reproduces the subordinate position of the black group and the different classes within it Each class is thus riven by racial divisions and the fate of different classes, within each racial group, is tied to the maintenance or destruction of racial domination' (p 31) Thus in this approach, the anti apartheid struggle is also a struggle against capitalism Though Wolpe's sympathy lies with this approach he aruges that the concept of 'colonialism of a specific type' is also flawed on certain counts According to him one cannot treat nationalist anti apartheid struggle as singularly anti capitalist since different classes which are involved in the nationalist struggle give different content to the struggle and only one among them is anti capitalism

The concept of South African fascism connotes a closing down of the space available for the organisation of struggle on the political terrain to that extent it may lead for example to a struggle which emphasises the armed rather than other forms of illegal struggle (p 40) There is substantial truth in this characterisation of South African political formation especially for the period after the Sharpeville massacre in 1960 However the believers in the concept of South African fascism by over emphasising the lack of legal space for political action do not analyse the role of parliamentary and other independent centres of politics (like trade unions and educational institutions)

In a different manner the existing studies on the character of the capitalist state in South Africa distort and oversimplify the terrain of politics These studies by treating state as a *unified* instrument serving the interests of the hegemonic class faction fail to take into account the contradictory and asymmetrical relations within the matrix of state organisations and institutions and the way in which these condition and are conditioned by struggles in the political terrain (p 37)

CONCRETE ANALYSIS

Based on this critique Wolpe develops his own perspective in chapter three of the book He argues If it is accepted that classes are concretely formed even in the sphere of production simultaneously through politics economics and ideology, the race may well become the content under specific conditions of the class struggle (p 52) He notes that such a position opens the possibility that opposition to racial domination *may* lead to unite black people across class lines and yet specifically defined class interests may at the same time tend to divide them along class lines Similarly investment in white domination may tend to unite white people across class lines and yet at the same time, specifically defined class interests may tend to divide them (p 52)

From such a stance and by taking into account the changing nature and context of political struggles in South Africa, Wolpe periodises, in chapters four and five, the post 1948 political formation in South Africa into three phases 1948 to 1960, 1960 to 1973, and 1973 to mid-1980s

When the National Party came to power in 1948, there already existed "a range of

deeply rooted extra-parliamentary, mass political [black people's] organisations which were in the process of radicalising themselves and an organised trade union movement This was so despite white domination being a fact of life then Moreover the executive was under the control of the legislature and the judiciary enjoyed a certain degree of autonomy from both the executive and the legislature This basically meant that certain legal space was available for the black people for political action However the National Party was in favour of the white farmers and the white workers The interests of these two classes could be met by restricting the townward movement of the black labour from the countryside This would force the black labour into white farms and reduce competition from them in the urban labour market

Since legal space was available for the black people any move from the state to benefit the whites at the expense of the blacks would draw protest Given this context the state enacted a series of laws between 1948 and 1960 to restrict the space available for the blacks for political action It enacted Suppression of Communism Act and Public Safety Act While it banned several black political organisations it increased the power of the executive over the judiciary Along with this the state moved to restrict the influx of black labour into urban areas through labour bureaus and pass laws The culmination of this process was the ruthless killing of 69 blacks at Sharpeville in March 1960 when they demonstrated against the pass laws

During the second phase i e the period between 1960 and 1973 South Africa witnessed further erosion of the legal space for political action and a particular transformation of the economy which resulted in the restructuring of the political space for anti apartheid action in the subsequent period Following the Sharpeville massacre the state assumed emergency powers and banned the African National Congress and the Pan Africanist Congress Under the Terrorism and Sabotage Act the power of the police was increased enormously and the autonomy of the judiciary was drastically reduced

The outcome of the state policies was not only the abolition of virtually all legal rights to extra parliamentary political activity but in addition the substantial elimination of the organisations within this sphere by banning them and proscribing and imprisoning their activists (p 70) ANC became an underground organisation and engaged itself in acts of sabotage hoping to develop full fledged armed resistance in future In this context of forced political stability the economy boomed There was large scale foreign investment in the manufacturing sector and the labour force in that sector increased by 63 per cent between 1960 and 1970 There was despite state restrictions large scale townward migration of blacks during this period As we shall see soon these developments helped the anti apartheid movement to restructure the existing political space to its own advantage

During the third phase (from 1973 to mid 1980s) the parliamentary control over the executive was weakened still further and the role of military was intensified With Botha's accession to power in 1978 the military took its place not merely in the defence ministry and in the armed forces but in the president's council in the state security council and in other departments of the state including economic planning (p 80) But this destruction of political space for black protest was accompanied by the re emergence and strengthening of the extra parliamentary political terrain in South Africa How did this happen?

The developments during the period 1960 to 1973 contributed towards this quite substantively With the growth of manufacturing and capital intensification in that sector there emerged a semi skilled and stable black labour force in urban South Africa Moreover in an effort to confine the politics of this labour to shop floor (i e to cut them away from the national struggle) the South African state granted the registration of black trade unions in 1979 These two factors contributed to the proliferation of black trade unions and 500 000 workers belonging to various unions came together in 1985 and formed the Congress of South African Trade Unions (COSATU) COSATU supports the national liberation struggle It became difficult to contain trade unions as a new terrain of politics because the white capital cannot easily replace a stabilised workforce with a high level of skill

Again there was opposition against apartheid from a section of the white community itself especially from the large scale capital Their interest is only too evident Given the limited availability of export markets the growth of manufacturing depends heavily on the intensification and extensification of the home market which the labour force provides Clearly the reproduction of cheap black labour and the extension and intensification of home market stands in contradiction to one another (p 89) This again gave some political space for the black labour to agitate

It is not only the black labour who retrieved legal space for political action during this period With the destruction of legal space for political action during 1960 to 1973 several previously non political black organisations –cultural religious and sporting institutions– became politicised This process of politicisation first took place discreetly in differnt organisations In a significant step in 1983 700 such organisations with a membership of two million came together and formed the United Democratic Front The expansion of education among the blacks during this period turned schools and universities as centres for the black consciousness movement

With the re emergence of the legal terrain of political protest and the division among the whites with a powerful section taking positions against the intensification of apartheid the state introduced limited reforms to co opt the black petit bourgeoisie and bourgeoisie It created the subordinate state structure of bantustans which confined considerable number of blacks to bantustans and gave rise to a black bureaucratic bourgeoisie which ran the administration of these administrative units The limited representation granted to the blacks through the Community Council Act 1977 Black Local Authorities Act 1982 and the Tricameral parliament of 1984 helped in co opting the urban black petit bourgeoisie Though these reforms meant to co opt a section of the blacks have failed to stem the growing protest against apartheid these are the reforms which give the Botha regime the image that it is a regime of reform protected by the coercive apparatus of the state by contrast with previous governments which stressed only their repressive role in maintaining control over the black population (p 93)

GENERAL VALIDITY

The importance of this book lies not only in introducing one critically to the various theoretical approaches to apartheid and in deepening one's understanding of the South African political formation The approaches which characterise the South African studies and analysed in the book are not confined to South African studies alone but could be found as being employed extensively in analysing other political formations which have ethnicity or even caste as an important component Nearer home, the abounding literature on Sri Lanka would vouch for this In this sense the theoretical critique which Wolpe develops in the book is of general interest The concrete analysis of the South African political system which constitutes the latter parts of the book again could be a model for studying political formations Steering clear various forms of reductionism which oversimplify and distort one's understanding of politics the book takes into account the complexities of political formations It creatively links politics to the economy and struggles to the wider context of shifting class positions and the asymmetrical relations between the different compartments of the state

The book has a useful bibliography and a brilliantly designed cover Unfortunately, the credit for the cover design is given nowhere in the book

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Against the Numbers Game

P G K Panikar

From Population to People by Ashish Bose, BR Publishing Corporation, Delhi, 1988, 2 Vols, pp 574, Rs 320 (set)

THE publication under review is a miscellaneous collection of papers presented at various national and international seminars and conferences presidential addresses at the annual conferences of IASP articles published in national dailies etc during the last two decades Produced over such a long period and addressed to diverse groups the contents are apt to be a disparate collection They are spread across 17 chapters and several annexures in two volumes

The focus of Volume I is avowedly on India's family planning programmes Chapter 1 Demography beyond Decimal Points begins with the remark that the new generation of Indian demographers have failed to make their mark on the national scene thanks to their inability to look beyond decimal points Hence Bose's exhortation to his fellow demographers Look beyond decimal points In the course of the analysis of the pitfalls in India's family planning porgramme he identifies three villains viz, foreign influence central government and bureaucrats in the concerned ministry (pp 4 5) Of these the bureaucrats receive special attention "The present scheme of things assumes that the bureaucrat is the best social reformer and catalyst of social transformation (p 24) Bose next suggests the need for widening our vision of the population problem by paying attention to issues like rapid urbanisation internal and international migration etc He concludes the piece with the sermon We should abandon the number game and move from population to people (p 24) thus demystifying the title of the publication

Chapter 2, 'Pitfalls in Our Population Control Programme consists of six parts Part I, Future Prospects of Family Planning in India covers more or less the same ground as the previous chapter The message to fellow demographers is to apply their minds to the various facets of the problem and "not be carried away by the game of numbers" (p 48) Part II covers mostly the excesses in family planning during the emergency and their after effects Part III examines the 'New Policy Directions as formulated by the Janata government in 1979 Bose observes that apart from renaming family planning as family welfare there was no change in the programme" (p 56) This observation seems to be a bit too harsh He repeats the rejection of the "game of numbers" and pleads for a fresh approach, the main elements of which include dropping the idea of a centralised family planning programme, speedy reduction of infant mortality rate, concentration of family planning campaign in Bihar MP Rajasthan and UP (BiMaRU) which together account for 40 per cent of India's population creation of a new agency to market condoms revamping of communication strategy decentralisation of family planning etc (pp 59 64) Part IV From Coercion to Persuasion is mainly an endorsement of the views of the late Indira Gandhi expressed in the course of a television interview when she said that her government believes in persuasion and not coercion in tackling the population problem (p 65) Some of Bose's own observations are interesting He arugues

> A switch over to the small family norm in an economy marked by unemployment and limited opportunities for women outside the home or the farm will mean more leisure which if untapped may give rise to family and other tensions and create serious problems for the society A small family norm and a stagnant economy cannot go together (p 68)

Is Bose implying that for a stagnant economy the better option is large family one wonders Part V People's Movement opens with a reference to the New Twenty Point Programme wherein the need for promoting family planning on a voluntary basis is a people's movement is emphasised After taking another dig at the bureaucrats who are the last persons to trigger off a people's movement the author passes on to the attainment of the goal of Health for All by 2000 He warns against continued over emphasis on curative programmes and dependence on foreign aid and foreign technology These are obviously a part of the received doctrine However there is an element of novelty in the suggestion that instead of appealing for people's participation in government programmes there should be people's programme with government participation (p 73) In Part VI Human Resources Development' the author observes that in the light of the poor performance of the family planning programme, the goal of NRR=1 by the year 2000 is unrealistic (p 83) The malady, it is repeated is that far from being a people's movement India's family planning programme is one hundred per cent a bureaucratic programme designed, financed controlled and monitored from New Delhi" (p 84) Bose concludes this section with an agenda for human resources development which includes ICDS compulsory schooling, vocational education

Part II of Volume I comprises two chapters Chapter 3, 'Beyond Family Planning Targets', starts with some adverse comments on our population research institutions According to Bose, the administrative control by non-professional bureaucracy at the centre fails to attract competent researchers

> To make matters worse the foreign funding agencies in the field of health and family planning programme have through their use of money power built up a servile squad of yes men The researchers from these institutions are intellectuals who put good life before good ideas and are therefore available for malleable research and evaluation (p 95)

Bureaucrats remain the targets of vitriolic attack in this chapter also

> Nowhere in the world have bureaucrats been social reformers The feeble attempts to put up unimaginative postures urging people to get their sons and daughters married late only indicate the failure of the bureaucrats to communicate with the masses in a meaningful way (p 98)

After repeating the cliche that reproductive behaviour is conditioned by numerous factors Bose arrives at the obvious conclusion that 'a family planning programme centred round targetism will not succeed in curbing birth rate (p 101) He then proceeds to explain why the present target setting strategy is bound to fail Bose dwells at length on the theme that it is meaningless to set targets for oral pills for condoms for IUDs etc He once again repeats the by now worn out aphorism The family planning programme cannot succeed in isolation It will fail if other development programmes fail (p 109) That development is the best contraceptive first aired by Karan Singh at the Bucharest Conferences (1974) has been widely noted Next Bose presents a slightly modified version of the Gopalan Plan Grameen Bala Progati Yojana as a new approach and strategy of family planning Most of the ingredients of the programmes such as health and nutrition education employment etc are part of a widely accepted recipe For example in his comprehensive study *India's Population Aspects of Quality and Control* Asok Mitra has covered these aspects in great depth [Asok Mitra 1978] He concludes the chapter with repetition of a few platitudes There are no short cuts to population stabilisation There is no substitute to sustained good work No democracy can take the people for granted If the people are with you every target can be fulfilled (p 125)

Chapter 4 For Whom the Target Tolls starts with the assertion 'India's family planning programme is a one hundred per cent bureaucratic programme, a vertical programme designed financed controlled and monitored from New Delhi (p 135) There are other instances of repetition like, for example, obsession with target setting, pressure exerted on poor peasants seeking loans, recourse to the number game, to mention a few An 'innovation' which Bose has introduced is "project 1234", according to which "a sound family planning strategy should concentrate on the age group 12 to 34 years" The rationale underlying this

novel proposal is that "our villagers are used to such numbers is much easier to remember and pronounce than English abbreviations (widely used in rural areas) like ICDS, LHW ANM or VHG (p 149) The ingredients of the project are the same as emphasised on earlier occasions like nutrition health education employment and income generation etc with one difference that in the present case the beneficiaries are those in the target age group The seminar on Population Policy with Special Reference to Infant Mortality and Fertility in India organised by the Population Research Centre Baroda (1978) had gone into the various aspects of the family planning programme and come out with a balanced set of recommendation [Grandotra and Narayana Das (1984)]

Part III of Volume I International Perspective contains two chapters Chapter Exploring China's Population Policy covers various aspects of China's population policy its objectives targets norms (preferably one child) steps (late marriages late births fewer births healthier births) methods (incentives and disincentives) and degree of success In conclusion Bose observes that the advocacy of one child family reflects a pragmatic approach However he has expressed concern over the outcome in the long run if the one child norm is strictly adhered to

> Thus the Chinese might succeed in solving one type of population problem symbolised by high birth rate and in that process land with another type of population problem symbolised by a high proportion of aging population (p 192)

Chapter 6 Democracy and Demography is directed to the question Are democratic institutions unable to cope with demographic processes in Asia? Admittedly there is clear evidence of demographic pressure in the Asian countries However Bose argues that none of the successful models of fertility control tried out in Asia so far Japan Hong Kong Sri Lanka and China seems to be applicable in south Asian countries like India Pakistan and Bangladesh (p 212) The conclusion is that despite compelling demographic pressures democratic institutions are still the best option for Asian countries

Volume II contains 11 chapters and several appendices It is also divided into three parts Part I Demographic Data Base comprising two chapters covers the highlights of the Indian censuses before and after independence Chapter 7 Census in British India An Imperial Tool? (the first in the volume) attempts to give a historical perspective of the census in British India Considerable space is taken up in the recitation of wild rumours about the objectives of the census count and the constraints experienced by the census enumerators in the rural areas during the earlier censuses Why there had been so much emphasis on caste tribe, religion and language in the censuses during the British rule is the next question which receives a good deal of attention

Chapter 8, 'Census in Post-Independent India An Ineffective Tool?' begins with the question of why demographic data are not effectively utilised in our planning exercises The main source of data is the census but the author contends that "the Census Organisation suffers from a high degree of obsolescence It continues to be headed by a non professional IAS officer" (p 308) The other sources of demographic data viz the Sample Registration System (SRS) Civil Registration System (CRS), National Sample Surveys (NSS) and Family Planning Performance Statistics, fail to make available data at the district level Turning to the issue of the quality of data Bose puts the blame for the poor quality of the census and SRS data on the paltry honorarium paid to the persons collecting the data As to the CRS it is observed that the data collected on births and deaths are grossly underestimated The quality of the NSS data is also apparently dubious FPPS seems to suffer in quality thanks to a built in over reporting bias inherent in the policy of the government of India consisting of cash incentives (p 315) The discussion is followed by a series of recommendations aimed at strengthening the demographic data base covering census SRS CRS and Family Welfare Statistics (pp 317 320) and five appendices (pp 321 336)

Part II of this volume Politics of Population includes four chapters The first in this section Chapter 9 Foreign Aided Health and Family Planning Projects is a case study of area projects The picture emerging from the field work in the BIMARU states is that

> the money under these projects was mostly spent on bricks and mortar and the real beneficiaries were the building contractors and sub contractors and not the people The weak conceptualisation of the projects coupled with poor implementation led to their failure

This is followed by a number of generalisations on the lessons from India's experience like for instance in a large country like India there cannot be one blanket model plan, the selection of areas for implementation of projects should not be guided by political considerations but by scientific criteria highest importance must be given to the development of leadership at the grassroots level

Chapter 10 Centre State Relations Areas of Conflict? is a reproduction of the evidence given by the author before the Sarkaria Commission in January 1985 His main suggestion before the commission is that family planning should be on the concurrent list with greater devolution of power and funds to the states and lower tiers of administration Chapter 11 Are Religious Minorities Growing Fast? analyses the reasons behind the higher growth rate of Muslim population in India, chief among them identified being illegal immigration from outside Chapter 12 Retribalisation of Scheduled Castes? looks at the puzzle of a much higher growth rate of tribal population 42 per cent during 1971 81 as against 25 per cent for the total population of India Part of the explanation it is brought out lies in the differences in classification of the successive censuses The tendency of non tribals to return themselves as tribals in order to take advantage of special provisions for the tribal population is identified as another factor (p 318)

In Part III Health Care for the Vulnerable there are five chapters (and a few appendices) Of these the first Allocation of Resources for Health Care goes over the reports of various expert committees on health right from the Bhore Committee to the report of the ICSSR ICMR joint committee After recalling the observations of some researchers on the allocation of resources for health care Bose attempts to take a historical perspective of the dominant health issues confronting India Next the author reproduces the objectives and priorities of the health policies in the First and Second Five Year Plans Under the caption of allocation between health and family planning the author repeats platitudes such as there are no short cuts to population stabilisation there is no substitute to sustained good work no democracy can

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take the people for granted' etc (p 401) In the concluding section of this chapter Bose dilates on the inadequacy of the budget of the PHCs disillusionment and frustration of the young doctors posted in remote rural areas the ill fated CHV VHG scheme etc

It is a sad story of a raw deal given to our rural masses by the elitist medical bureaucracy (p 409) Chapter 14 Orissa's Low Growth of Population Tribal Development or Tribal Stagnation' is perhaps the most interesting paper in this collection Bose attempts to explain the puzzle of the low growth rate of Orissa's population during 19 1 1981 viz 19 7 per cent the third lowest among all the state Possible explanations of a low growth rate in population such as under enumeration high mortality fall in fertility outmigration fall in fecundity under nutrition etc are eliminated Then Bose posits the hypothesis that the fall in the population growth rate in Orissa is due to the high rate of acceptance of family planning by the tribal population the story of family planning success is centred round the tribal population in Orissa which has the second largest tribal population in India

> There is a lurking suspicion that the innocence poverty and credulity of the tribals has been exploited by the family planning dalals (brokers) who must have excelled in the game of fulfilling targets (p 43)

In Chapter 15 Welfare Programme for Women and Children Bose takes a critical look at the MCH ICDS and family planning One major deficiency of these programme it is noted is the weakness in their monitoring and evaluation Since the evaluation reports of ICDS are in effect glorification of spurious statistics ICDS according to Bose stands for Indiscriminate Collection of Dubious Statistics On the impact of the programmes the author is not able to come to any firm conclusion thanks to several limitations in the methodology used in the evaluation reports Apparently the impact is negligible Who is to blame?

> more often than not the local functionaries are not working effectively because of lack of training supervision and management Therefore the fault lies not at the grassroots level but in the air conditioned offices in New Delhi' (p 453)

He concludes with the proposal of a five point strategy which includes a stress on quality of the delivery service at the grassroots level actual involvement of the people in formulating and implementing those programmes discontinuance of cash awards to the states for family planning work and of the incentive scheme for the acceptance of family planning And last but not least the number game must stop (p 456)

The last two chapters in Volume II are concerned with the problems of ageing population Chapter 16, Concern for the Ageing Population purports to present a profile of the aged and to highlight some critical issues Our retired persons are presumed to be better off than their counterparts in the western countries thanks to the continuance of the joint family system here (p 494) However the plight of the aged in rural areas especially the position of landless workers who have nothing to fall back upon after retirement' is deplorable (p 501) Bose therefore proceeds to bring out the more acute problems associated with ageing for this hapless group

> The poor nutrition and low income levels to which they are subjected right from the beginning of their life lead to premature ageing In a country like India the focus should be on premature ageing rather than active ageing

Bose in this connection makes the observation that India has much to learn from the experience of developed countries about the care and treatment of the aged but the latter can likewise learn several things from India The concluding part of the essay spells out a plan of action which includes counteracting premature ageing institutional care for the aged extension of Employees State Insurance Scheme to agricultural workers mobilising retired teachers to banish illiteracy etc In Chapter 17 Agenda for Active Ageing one of the novel ideas thrown up by Bose is the establishment of UNICEF II (United Nations Care for Elderly Fund) Another innovative proposal is inter-city co-operation, a programme under which

> voluntary agencies should bring a few hundred elderly persons preferably in the age group 65 to 75 from the developed countries and settle them temporarily in selected cities of India If the elderly from the developed countries spend their pension money in Indian cities during their stay in India such a scheme would be economically viable (p 529)

In brief the book is replete with too much of rhetoric adverse if not uncharitable remarks on bureaucrats but it fails to provide any fresh insights on either population or people However the large number of tables and other annexures would be useful as a ready reference for researchers in this area

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On Participating in the International Capital Market

V V Bhatt

The rationale for participation in the international credit and capital market as well as the domestic institutional and policy framework, essential for the purpose, are presented in this paper with particular reference to India However, this is just for the sake of illustration what is said about India applies to other developing countries of her type as well For active participation it is essential for her to adapt her macro-economic policy framework and institutional capacity to the evolving nature and characteristics of the international market The nature and characteristics of the evolving international capital market are tersely presented in Section I The immediacy as well as the urgency for participation in this market is the theme of Section II while Section III deals with the prerequisites for such participation in the sphere of institutional and policy framework Section IV stresses the need for liberalisation of the domestic financial markets Some concluding observations are made in the final section

Since 1970 international credit and capital market has grown in size and sophistication and provides considerable opportunities for the developing countries to operate in this market for the purpose of meeting their growing requirements for external resources and as well as for the optimum management of their external assets and liabilities Further it enlarges the scope of export possibilities in the field of financial services particularly for the Asian countries like India Thus it is essential for the developing countries to participate actively in this market However for such participation to be possible they need to evolve an institutional and policy framework that is appropriate for establishing their creditworthiness organically linking their domestic market with the international market integrating their domestic financial markets and developing the necessary institutionalised expertise and technology Moreover to take advantage of export possibilities with regard to financial services as well as other types of service products they need to be active participants in the process of multilateral negotiations relating to trade in services in the Uruguay Round of trade negotiations only thus will they be able to evolve a services compact that suits their needs and capacities

The rationale for participation as well as the domestic institutional and policy framework essential for the purpose are presented in this paper with particular reference to India However this is just for the sake of illustration, what is said about India applies to other developing countries of her type as well

India is one of the few countries in the group of less developed countries (LDCs) that has the potential for developing the needed institutionalised expertise and technology for active participation in the international market, further there is a certain immediacy as well as urgency for her to do so in order to reduce the foreign exchange cost of operating in this market as well as to enlarge the scope of her export effort For such active participation it is essential for her to adapt her macro economic policy framework and institutional capacity to the evolving nature and characteristics of the international market

Such is the broad theme of this paper The nature and characteristics of the evolving international capital market are tersely presented in Section I The immediacy as well as the urgency for participation in this market is the theme of Section II while Section III deals with the prerequisites for such participation in the sphere of institutional and policy framework Section IV stresses the need for liberalisation of the domestic financial markets Some concluding observations are made in the final section

I

Nature and Characteristics

The international capital market that has been evolving since the late fifties and early sixties after a state of suspended animation during the inter war years is characterised by the interrelated interlinked phenomena of internationalisation globalisation integration and innovations [1]

Internationalisation This market is international in the sense that it is not subject to the regulation and control of any national authority The Euro market is in this respect similar to the informal credit markets in several developing countries—the markets that are out of reach of the national regulating agencies The former is relevant for large participants—large corporations public entities and sovereign governments—while the latter for small enterprises of all types however both these markets are characterised by relatively low transaction costs for borrowers partly because of their freedom from regulation

Globalisation The globalisation aspect refers to the *interlinkage that is established among national markets* as a result of progressive removal of exchange controls on capital flows liberalisation of the various financial centres in the developed countries and the revolution in information gathering, processing and transmission made possible because of technological developments in the fields of computer and telecommunications (both described pithily as computronics) This phenomenon has widened and deepened the scope of the international market as financial institutions are now able to offer 24 hours sales and trading capability in debt and equity instruments it is possible now to make global offerings of debt and equity which *widen* the scope of the market and the market now provides opportunities for swap deals relating to currency and/or interest rate the opportunities that *deepens* the scope of the market

This interlinkage of national markets has evolved particularly after the mid seventies into an international market in financial instruments denominated in several key currencies International transactions were predominantly in sterling during 1870 1914 and in the US dollars in the sixties and early seventies the international market since then is a multi key currency market and it is this phenomenon which has made it possible to evolve the currency swap markets after 1982 an evolution which was pioneered by the World Bank in 1981

The interlinking of national markets—the phenomenon of globalisation has led to the convergence of interest rates in different national markets In Euro markets, covered interest rate parity holds almost instantaneously More significantly interest rate changes —nominal and real —originating in one major financial centre are being quickly transmitted to the other financial centres despite the floating of the major key currencies There has been thus a growing interdependence among major financial centres and this has reduced the scope for national monetary policies that are out of line

with those in the other centres. Further capital flows have become a dominant causal factor at least in the short run in the determination of interest rates and exchange rates and this can lead to misallocation of resources among various productive sectors as a result of such price signals that may not be consistent with comparative cost patterns. To minimise the adverse effects of speculative capital flows it has now become essential to have international co-ordination of macroeconomic policies in major countries particularly relating to interest rate and exchange rate policies through an international institution like the International Monetary Fund.

Integration. The integration of money, banking and securities markets as a result of progressive deregulation, that is removal of legal restrictions on interest rates and the functional scope of various financial institutions particularly since 1979, has integrated the national financial markets, created a competitive environment and given rise to the phenomenon known as securitisation. The first borrowers, and in particular the multinational corporations, find it profitable now to borrow directly from the securities market at a cost lower than the cost of borrowing directly from the international banks. This development has blurred the distinction between investment banks and the commercial banks and both are evolving into universal banks which provide all types of financial services, a sort of a department store type of banking. This development has widened the market for financial services because of the integration of bank and non-bank financial intermediaries; the borrowers tap now not only the resources of the banks but also the resources of the other financial intermediaries. Even the international banks are now raising resources from the securities market through securitisation of their assets as well as by issuing their own securities. The market is also deepened because of the securitisation of assets which otherwise would have been dormant, for example, the assets in the form of houses or loans.

To take advantage of the globalisation and integration phenomena, there has been a progressive implantation of banks worldwide, an institutional internationalisation of banks.[8] Banks have continued rapidly to increase their branches and representative offices abroad. Furthermore, foreign banks have continued to expand their share of total bank business. There has also been a growing importance to banks of international business.

These developments in the international capital market have increased competition among financial institutions. As a result, the cost of borrowing, for example, for large corporations has declined and the net yield (net of risk and transaction costs) to primary lenders or investors has increased, while the fees and margins of banks have diminished.

Innovations. The widening and deepening of the market and the growing intensity of competition among financial institutions have induced several financial innovations or technical change. As Adam Smith[9] observed long time ago, the size of the market and technical change (or division of labour) are interrelated phenomena: the greater the size of the market, the greater the scope for technical change, the greater the technical change, the greater is the size of the market. And so it has happened in the international financial markets. These innovations[1] or new financial instruments have widened the choice with regard to instruments for both savers, investors and borrowers. Investors now can choose instruments with characteristics (relating to yield, liquidity, risk and transaction costs) that they prefer and similarly borrowers too have a wider choice with regard to instruments with different cost-risk combination.

The basic rationale for these innovations relates to the reduction of subjective risk by wide diffusion and sharing of risk. The *perception* of risk is different for different market participants because of asymmetry of information, different capacity to absorb and process information and the differing attitudes towards risk. These innovations tend to shift risk to willing risk takers, willing partly because their perception of risk or subjective risk is lower than those who want to shift the risk. This process of diffusing, sharing and shifting of risk – largely as a result of the phenomenon of securitisation – has its dangers: it creates uncertainty with regard to the location, extent and pricing of risk and as a result a sort of inertia or lethargy in properly appraising the risk involved in the light of potentially available information.[5] This may lead to instability and vulnerability of the international financial system as a whole because of the inter-locking assets and liabilities of various financial institutions. Further expectations tend to be based on what Keynes calls average opinion thinks about average opinion or what Pigou calls errors of optimism and pessimism resulting in inherent instability of credit as Keynes christened it.[9] Adequate prudential regulation of the national as well as the international financial system with lender of last resort provision is thus essential for the stability of the system as a whole. This is the rationale for an institution like the international central bank.[10] The requirement for prudential regulation is already recognised by the national authorities and an international agreement with regard to capital adequacy requirement for financial institutions is a pointer to what needs to be done at an international level. After this necessary digression to pinpoint the vulnerability of the unregulated international market, let us now revert to the nature of financial innovations that have been introduced in the international financial markets.

In the seventies, the OPEC countries preferred to keep their surpluses arising from the oil price stock—quadrupling of oil prices in 1973, which quintupled in 1979—as Eurodollar deposits with international banks. At the same time, there was instability in the interest rates in the various financial centres. These two events gave rise to the *innovation of syndicated bank loans* at variable interest rates. These loans were primarily made to the oil importing developing countries and the lack of proper risk appraisal by the international banks as well as the borrowing developing countries ultimately led to the debt crisis of 1982 and after – a crisis which still remains to be resolved.

The other important innovations were introduced after 1982. By that time the payment imbalances were arising largely among the developed industrial countries. The surplus countries like Japan and West Germany preferred to invest in securities and in the borrowing countries, mainly the US, the borrowers preferred to borrow by issuing securities of various maturities. This conjuncture led to the securitisation process and the major innovations tried to deal with the risks arising from the volatility of interest rates and exchange rates resulting from the breakdown after 1973 of the Brettonwoods system of fixed exchange rates and the structural payment imbalances among the developed countries; these are also the innovations which are relevant for the developing countries that are creditworthy.

The first such innovation is Note Issuance Facility (NIF) or its variants like Revolving Underwriting Facility (RUF) or Euro Commercial Paper (ECP). A RUF is a facility in which a borrower issues on a revolving basis bearer notes which are sold to investors who may or may not include banks either by a placing agent or under a tender mechanism. This issuance of notes may or may not be underwritten for a medium term period by a group of underwriting banks. ECP was developed by adopting the technique customary in the US commercial paper market whereby short term paper of variable maturities is issued to one or more dealers on an uncommitted basis whose task it is to place it with the banks and other investors.

The main advantage is one of cost. The borrower essentially benefits from short term interest rates and a smaller margin on the rate because the investor is only taking on a short term risk. A small underwriting fee to the underwriter who will have only a contingent risk converts it into a medium term facility. The particular advantage to creditworthy LDCs like some of the Asian countries is that as the borrower's credit standing improves the margin on its paper decreases whereas with a syndicated loan the borrower would be fixed into a margin for the life of the loan. The other advantage to a developing country is that, as the investors are a separate group, it can diversify the funding source away from those banks who have traditionally been lenders to the country—which is obviously very important

if the country has substantial financial needs Lastly, as notes under a RUF are issued regularly and partly to non bank investors a borrower's name would become established in a market which is effectively a bridge between the banking and capital markets making it possible ultimately to tap the capital market by way of Floating Rate Notes and Euro bonds

Though so far NIFs have been arranged overwhelmingly for developed countries a number of developing countries notably South Korea Singapore India and Indonesia have begun to arrange NIFs mostly for small amounts First RUF for an Indian borrower was undertaken by the London branch of the State Bank of India at the end of 1984 which was then refinanced in 1986 partially by way of a Euro Commercial paper programme—again a first for an Indian borrower This experience enhanced India's creditworthiness though the first paper was traded at the margin of a few basis points above LIBOR it was then placed with investors at rates below LIBOR [11] The first issuance of Euro Commercial Paper (ECP) from India has been by the Industrial Credit and Investment Corporation of India (ICICI) in 1987 The Bank of Baroda is currently contemplating (1988) a NUF in the US for the purpose of lending in the UK market

TABLE 1 BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS

(*millions of dollars*)

	1970	1986
Industrial Market Economies		
Spain	79	4 102
Italy	902	3 961
Belgium	717	3 586
Netherlands	483	4 686
Germany Fed Rep	853	37 357
Japan	1 980	85 831
Sweden	265	3 795
Switzerland	72	4 525
United States	2 330	141 460
United Kingdom	1 913	1 392
High Income Oil Exporters		
Kuwait	853	6 160
United Arab Emirates	75	6 486
Libya	645	1,890
Saudi Arabia	71	10 360
Other Countries		
Taiwan, China	1	16,217
Portugal	−158	1 121
Yugoslavia	−372	1 097
Israel	−562	1,262
Hong Kong	225	1,552
Singapore	−572	478
Korea, Rep of	−623	4,617
South Africa	−1,215	3,125
Romania	—	1,489
Iraq	105	—
Peru	202	−1,055

Source World Development Report 1988, World Bank, Washington, DC, June 1988

While the advantages of the securitised market obviously apply to developing countries who generate enough bank and investor interest it also has in a different form through some methods a limited application to other countries These methods may be called *credit enhancement schemes* [12] In essence the security – a bond or a note – issued by a borrower would have to be structured in a way to make the risk acceptable to international investors One way to enhance creditworthiness would be through collateralising the debt instrument Such credit support may take the form of direct collateralisation by the assignment of certain foreign currency revenues to back principal and interest payments on a bond Commodity indexed bonds or bonds linked with export performance or performance of specific projects are also instances of such schemes Credit enhancement can take other forms such as the comfort to investors of having the World Bank in a co financing role or a guarantee from a multilateral agency

Credit enhancement can be used not only to allow countries of lesser creditworthiness to tap private capital sources but can also be used by other developing countries including India to meet other objectives Collateral partial or whole can for example be used to lengthen the maturity of a borrowing beyond the normal term of a market financing Alternatively if the collateral were in a foreign currency or linked to a foreign currency it could be a useful hedge against the risk of a devaluation of the domestic currency These methods of credit enhancement can of course be used on non securitised financings equally well

Such innovations however can be introduced only if the developing countries become active participants in the international market The innovations so far introduced have not been motivated by the special needs of the developing countries The reasons are developing countries have not been significant participants in the market and secondly most financial institutions are inherently conservative and therefore tend to introduce innovations mainly in their dealings with the most creditworthy borrowers which developing countries have not been for some time

The most interesting innovation as a result of globalisation relevant to the developing countries is the development of the swap market in both currency and interest rate swaps A swap as the market understands the term currently is a medium or long term arrangement between two parties in which each party commits to service the debt obligation of the other This has been the most radical or revolutionary innovation that has been introduced in the international market in recent years [13] As a result borrowers are no larger restricted only to those markets in which their name is acceptable or where their credit standing is the highest but which do not provide the currency and type of debt they require A borrower can tap the market for borrowing, where he is most creditworthy and hence can get the most favourable terms and then trade or exchange this debt obligation with the most creditworthy borrower in another market, where his own credit standing is low but which is still preferred by him for business reasons This in fact is the application of the comparative cost principle to capital transactions For example a developing country traditionally excluded from the fixed rate dollar bond market can raise a syndicated floating rate dollar or sterling loan and swap it into fixed rate dollars Such swap techniques are not linked to new transactions only Indeed to a considerable extent, the swap market does not distinguish between primary and secondary swap transactions and swaps can be arranged in such a way as to match identically the payment date of existing borrowing that is for the purpose of the management of existing debt with a view to reducing the risk arising from exchange rate and interest rate changes

The Industrial Development Bank of India (IDBI) and the Export Import Bank of India (EXIM BANK) for example, have taken advantage of this swap market, so far, the IDBI has entered into four currency-cum interest swap transactions and the EXIM BANK has entered into two such deals (These two along with the ICICI and the State Bank of India (SBI) have resorted to external borrowing from the international market as have some public sector firms like Air India which also took advantage of one swap transaction to reduce its debt obligation) Some other Asian countries like South Korea have also tapped this market

Unfortunately swaps are generally confined to the more creditworthy developing countries like some Asian countries particularly as swap counterparties tend to be large corporations as well as banks who are not in a position to take on third world risk Certainly the role of multilateral institutions who may stand up as swap counterparties would be useful and institutions like the World Bank and Asian Development Bank could assume this role It is the World Bank which pioneered swap transactions in 1983 and it has considerable experience of dealing in the international market as well as taking advantage of financial innovations,[14] it is hence in a position to offer advisory services to the developing countries and suggest methods and techniques of credit enhancement for participating in the international market

Size of the Market and Share of Developing Countries The size of the market has grown very significantly since 1970 in terms of several indicators For example, the current account surplus of the payment surplus countries has increased from about $ 13 billion in 1970 to about $ 200 billion in 1986 (Tables 1 and 2) The net resource outflow as a proportion of GDP has increased during 1965 to 1986 in several developed countries, for Federal Republic of Germany,

it has risen from 1 per cent to 5 per cent and for Japan from 1 per cent to 4 per cent (Table 3) The net new resources raised through all facilities in the international market has increased from 5 7 per cent of world export in 1976 to 9 3 per cent in 1984 or from about $52 billion in 1976 to $ 315 billion in 1987

However the share of the developing countries in this net resource inflow has declined in the eighties and is currently negative (Table 3) The net payments surplus of the developed countries was about $ 7 5 billion in 1970 but by 1986 this was converted into a deficit of about $ 22 7 billion (Table 2) In fact by 1986 the developed countries and in particular the US had a net inflow of resources from the developing countries the surpluses of Japan and Germany were more than offset by the deficit of the US The developing countries thus have become paradoxically net exporters of capital to the developed countries the result of the debt crisis which emerged since 1982 The participation of the developing countries as a group in the international capital market is negligible except for a few Asian countries like South Korea and India The total debt obligations of the developing countries in the international market are much less than 10 per cent of the total [15]

The growth in the size of the market since 1970 has been largely because of the payment imbalances that emerged since then The OPEC surpluses that emerged after the oil price shocks of 1973 and 1979 were largely kept as deposits with the international banks who recycled them largely to oil importing developing countries the latter's external debt as a proportion of GNP rose from about 13 per cent in 1970 to about 35 per cent in 1986 For the highly indebted developing countries mainly in Latin America the external debt as a proportion of GNP rose from about 10 per cent in 1970 to about 46 per cent in 1986 for the Sub Saharan countries it rose from about 13 per cent in 1970 to about 57 per cent in 1986 Thus all these developing countries lost their creditworthiness by 1982 (Table 5)

The payment imbalances that emerged after 1980 were largely confined to the developed countries the largest surpluses in 1986 were in Japan and in the Federal Republic of Germany The other major surplus countries were Taiwan China and South Korea Most of these surpluses were absorbed by the developed countries like the US and what was left for the developing countries out of a total current account surplus of all surplus countries of about $ 200 billion was a negligible amount of about $ 11 billion in 1986 (Tables 1 and 2) which was more than offset by their debt service obligations resulting into a negative resource inflow for the developing countries as a group

The size of the market may shrink if the current payment imbalances are corrected by national as well as international policy measures However there would be adequate scope for creditworthy developing countries, like the Asian countries, to operate in this market and take advantage of the new financial innovations The rationale for their participation in this market and the preconditions or prerequisites for such participation are discussed in the subsequent two sections of this paper

II

Rationale for Participation

The developing countries like India would have to rely increasingly on the international market for several reasons

- to obtain external resources essential for accelerating their pace of development
- to manage external debt with a view to reducing debt service obligations
- to manage international reserves and
- to take advantage of import substitution and export possibilities relating to financial services

External Resources The average annual growth rate of GDP for developing countries as a group has declined from 6 1 per cent during 1965 80 to 3 8 per cent during 1980 86 partly as a result of a negative resource inflow from abroad (Table 6) They need net external resources at least equal to 3 per cent of their GDP to regain the pre 1973 momentum of development The opportunities for concesssional borrowing from multilateral and official agencies are quite limited because of the fiscal, payments and growth problems facing the developed countries Thus the developing countries have to take recourse to borrowing from the international market

For India, the average annual growth rate has increased to about 5 per cent during 1980 86 from 3 7 per cent during 1965 80 (Table 6) However this growth rate is inadequate for raising appreciably living standards, removal of poverty and securing reasonable levels of employment

However even for maintaining the growth rate at 5 per cent per year India requires external assistance of 2 5 to 3 per cent of her GDP It has been estimated by the World Bank that external resource requirement would be about 2 78 per cent of GDP during 1988 89 and 2 40 per cent during 1990 91 on the assumption that exports would increase at an annual rate of at least 6 per cent The debt service obligations are estimated to be about 1 76 per cent of GDP during 1988 89 and about 1 40 per cent during 1990-91 thus the requirement of net resource inflow (net of debt service obligations) would be about 1 per cent of GDP during 1988 91

The opportunity of obtaining concessional assistance have been diminishing in importance since 1975 her non-concessional debt as a result has been rising from about 6 5 per cent of total external debt to about 27 per cent currently and is estimated to be about 50 per cent by 1990 (Tables 7 and 8)

External Debt Management The external

TABLE 2 BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS AND DEFICIT

(millions of dollars)

	1970			1986		
	S	D	NS	S	D	NS
Industrial market economies	10 8	3 2	7 5	147 8	170 6	-22 7
High income oil exporters	1 6	—	1 6	14 3	10 3	3 9
Subtotal	12 4	3 2	9 2	162 1	181 0	18 9
Other countries	0 5	3 5	-3 0	31 0	1 0	30 0
Total	12 9	6 7	6 2	193 2	182 0	11 2

Notes S = Surplus, D = Deficit, NS = Net Surplus

Source World Development Report 1988, World Bank Washington DC June 1988

TABLE 3 GROSS DOMESTIC INVESTMENT, GROSS DOMESTIC SAVING AND RESOURCE BALANCE

(Percentage of GDP)

	Gross Domestic Investment		Gross Domestic Saving		Resource Balance	
	1965	1986	1965	1986	1965	1986
Developing economies	21	24	20	24	1	—
Oil Exporters	19	23	21	22	2	-1
Exporters of Manufactures	23	29	22	29	-1	—
Highly Indebted Countries	21	19	23	22	2	3
Sub Saharan Africa	15	14	15	11	—	3
India	18	23	16	21	2	-2
China	25	39	25	36	—	-3
Industrial market economies	23	21	23	21	—	—
Germany, Federal Republic	28	19	29	24	1	5
Japan	32	28	33	32	1	4
United States	20	18	21	15	1	-3
United Kingdom	20	18	19	18	-1	—

Source World Development Report 1988, World Bank, Washington DC, June 1988

public debt of all developing countries has increased from about 13 per cent of GNP in 1970 to more than 35 per cent in 1986 and debt service as a percentage of exports of goods and services has risen from about 10 per cent in 1970 to about 20 per cent in 1986 For India total external debt as a percentage of GNP has been more or less stable during 1970 86, though private debt as a percentage of GNP has risen from about 0 2 per cent in 1970 to about 1 1 per cent in 1986 the debt service as a percentage of exports of goods and services too has been more or less stable in the range of 24 27 per cent during this period (Table 5)

The debt service obligations change as a result of the volatility of interest rates and exchange rates However the risk arising from such changes can be reduced by effective and efficient management of debt Such opportunity has been created in the international market since 1982 as a result of the innovation of currency interest rate swaps It is not possible to avail of this opportunity without actively participating in the international financial markets

For highly indebted countries the debt GNP ratio is very high (about 45 per cent in 1986) and the debt service ratio too is quite high (about 30 per cent in 1986) For Sub Saharan countries the debt GNP ratio is even higher at 57 58 per cent in 1986 and the debt service ratio is about 20 per cent (Table 5) For these countries the reduction of both these ratios is essential for attaining reasonable rates of growth For the Sub Saharan countries debt relief in various forms is already being considered it is possible to do so as most of their debt is to official agencies

However most of the debt of the highly indebted countries particularly in Latin America is owed to the private sector for these countries some radical solution to this problem is imperative This debt is being securitised and sold at a discount in the international market but the advantage of this discount is not available to the debtors It may be possible to devise some mechanism to pass on the discount to the debtors The International Monetary Fund (IMF) for example can buy this debt at a discount in the market and pass on this discount to the debtors In such a case, the discounted debt obligation of the debtors would be to the IMF The latter can create a type of trust fund to finance the purchase of debt and can recover this debt from the indebted countries over a period of time The advantage of the IMF as an intermediary is that it is in a position to negotiate with the debtor countries and monitor the changes in the macro economic and institutional policy framework—the changes which are essential for promoting growth and development and establishing creditworthiness in the international market [16] The evolving international market could create suitable financial instruments for these types of transactions However, for this to be possible, the developing countries should have the capacity of exploring the possibility of and introducing such innovative financial instruments as may be necessary

Management of Foreign Exchange Reserves The developing countries as a group have gross foreign exchange reserves equal to about 3 5 months of import coverage (or about $ 160 billion in 1986) for India these reserves constitute about 4 months import coverage (or about $ 10 billion in 1986) The international market provides opportunities of investing these reserves and changing the composition of such investment so as to obtain a satisfactory yield on such investment and reduce the risk arising from interest rate and exchange rate changes

Import Substitution and Export Possibilities For some countries like South Korea and India which have a sound well developed financial system and adequate technical and professional manpower there is a potential that can be developed through institutionalised expertise and financial technology for acquiring the capacity to provide financial services to domestic borrowers intending to have operations in the international market as well as to export such services to other developing countries These services are generally skill intensive and much less capital intensive than some of the manufactured products Developing the capacity for providing such services on the basis of their dynamic comparative advantage would strengthen their payment position by saving on foreign exchange cost relating to their transactions in the international market (import substitution advantage) as well as by earnings from the export of such services This potential somehow has not been exploited the necessary institutional and policy changes hence, have not been identified and implemented For their effective and efficient participation in the international market it is essential to seize all opportunities for the actualisation of this potential

III

Pre-Requisites for Participation Agenda for Research

Participation in the international capital market is possible only if certain preconditions or pre requisites are satisfied through an appropriate institutional and policy framework This framework has to be such as to

- establish and maintain creditworthiness,
- bring about progressive integration of the domestic and international markets and promote competitive impulses and pressures for improving the effectiveness and efficiency of domestic financial markets in an environment of financial stability ensured through strategic and prudential regulation of the financial system

These are inter related and inter linked policy measures and it is not possible to take action on one front without at the same time relating it to the other two How to evolve such an institutional and policy framework requires detailed study and research in the context of a given country like India At this stage what is attempted in this and the next

TABLE 4 INTERNATIONAL BANKING AND CAPITAL MARKET FLOW

(billions of dollars)

Items	1976	1980	1984	1987
International bond issues	25 1	35 3	108 1	n a
Syndicated bank loans	27 5	82 9	30 6	255 0
Note issuance facilities			18 9	n a
Total	52 6	118 2	163 6	315 0
As a per cent of world exports	5 7	6 3	9 5	n a

Source For 1976 to 1984 Alexandre Lamfalussy Structural Changes in the International Financial Markets *International Journal of Development Banking* Volume 4 Number 1 (January 1986) for other years World Bank Estimates based on Bank of International Settlements (BIS) data

TABLE 5 EXTERNAL PUBLIC DEBT AND DEBT SERVICE RATIO

	External Public Debt (Per Cent of GNP)		Debt Service (Per Cent of GNP)		Debt Service (Per Cent of Exports of Goods and Service)	
	1970	1986	1970	1986	1970	1986
Developing economies	13 1	35 5	1 5	4 4	10 1	20 0
Oil exporters	12 2	47 6	1 7	6 2	12 0	30 5
Exporters of manufactures	n a	22 7	n a	3 1	n a	14 0
Highly Indebted Countries	10 2	45 5	1 6	5 0	12 4	29 5
Sub Saharan Africa	13 1	57 4	1 1	4 3	5 3	19 3
India	15 0	14 0	1 0	1 2	25 8	17 9
Including Private Debt	15 2	15 1	1 1	1 6	27 3	24 6
China	n a	6 3	n a	0 9	n a	7 8

Source *World Development Report 1988* World Bank Washington DC June 1988

section is merely a tentative broad outline of such a framework.

Establishing and Maintaining Creditworthiness. Creditworthiness is the market understanding. It depends generally on certain characteristics of the growth process. One is that external debt should be growing at a rate of lower than the growth rate of national income and the other is that exports should grow at a rate higher than the rate of increase of debt servicing obligations. Thus the higher the growth rate of income and exports, the greater would be the opportunity of external borrowing and the larger the external borrowing, if productively and efficiently invested, the higher would be the growth rate of income and exports.

Productivity or efficiency of investment is thus the most critical factor. The institutional and policy framework, however, should be such as to create a favourable environment for entrepreneurial functioning and competitive pressures and incentives for improving investment and productive efficiency. The price system for this purpose has to be as little distorted as possible, otherwise the decision signals would turn out to be misleading. Further, administrative controls or regulations or interventions, when essential for the purpose of accelerating the pace of development, should be minimum, of strategic significance, selective, purposive and time bound and should be, what Bhagwati calls prescriptive rather than proscriptive.[18] The East Asian governments by and large issue prescriptions rather than proscriptions, whereas countries such as India do the opposite. The governments of dos generally produce economic performance superior to that produced by government of donts.[18] The former foster and promote entrepreneurial impulses, while the latter stifle them; the former establish symbiotic partnership relationship with the private entrepreneurs, while the latter induce adversarial response and unproductive wasteful expenditure to overcome or to take advantage of restrictive measures without a positive rationale.

To be creditworthy is not enough. A country has to establish its creditworthiness in the market by its continuous presence in order to seize opportunities as they arise of borrowing, as well as management of external assets and liabilities. It may be advantageous to borrow, even when external resources are not required, when one's payments position is strong and growth experience good; one may obtain most favourable terms in such a situation and the additional resources so obtained can be used for pre-payment of debt incurred earlier on less favourable terms. Further, in such a situation it may become possible to introduce credit enhancing innovative financial instruments that tailor debt service obligations to one's ability to repay. Such transactions or operations need to be undertaken in all the major financial centres and in particular in the Asian centres like Tokyo because of what Linder calls the emergence or arrival of the Pacific Century[19] in place of the earlier American Century and still earlier the British one or Pax Britannica of the nineteenth century.

For borrowing for financing infrastructure projects, the cost of borrowing from the international market can be reduced if such borrowing can be arranged along with assistance from multilateral international institutions like the World Bank. Such co-financing arrangements can enhance one's creditworthiness in the market and thus make it possible to borrow on favourable terms.

Integration. Such operations are not feasible without some degree of integration of domestic markets with international market—a purposive integration that induces the required capital inflow while at the same time fosters and promotes the growth of the domestic financial markets.

To promote such integration it is essential to develop investment banking expertise and computer and telecommunication facilities for rapid gathering, processing and transmittal of information essential for decision making. It may not be possible for domestic banks initially to undertake guarantee or underwriting obligations or to lead manage loans or issue of securities. However, it is possible and essential to develop the expertise and capacity to offer advice and assistance to domestic as well as foreign clients, particularly in the developing countries. The domestic banks are likely to have better information and understanding of the domestic and external resource requirement of domestic firms—public or private—as well as of the domestic financial markets and the opportunities they offer; hence they would be in a better position to offer advice to and formulate suitable proposals for the domestic firms, thus reducing the foreign exchange cost of external transactions. And once this capacity is developed, such advice and assistance can be given to the other developing countries as well, thus exporting financial services on the basis of their dynamic comparative advantage.

Several Indian banks—commercial as well as development banks—have developed merchant banking expertise for offering advice to Indian firms with respect to their opera

TABLE 6: GROSS DOMESTIC PRODUCT (AVERAGE ANNUAL GROWTH RATE)

(*Per Cent*)

	1965-80	1980-86	1986	1987	1988
Developing economies	6.1	3.8	n.a.	4.5	4.5
Oil exporters	7.1	1.7	0.4	0.6	2.0
Exporters of manufactures	6.6	6.2	7.4	6.3	5.8
Highly Indebted Countries	6.6	0.7	3.4	1.6	2.2
Sub-Saharan Africa	5.6	0.0	2.0	1.5	2.8
India	3.7	4.9	4.9	1.8	7.2
China	6.4	10.5	7.9	9.4	7.6
Industrial market economies	3.6	2.5	n.a.	3.2	3.5

Source: World Development Report 1988, World Bank, Washington DC, June 1988 for 1965-80 and 1980-86; for 1986, 1987 and 1988, World Bank Estimates.

TABLE 7: INDIA—EXTERNAL DEBT

(*millions of dollars*)

	Debt Outstanding and Disbursed		Disbursements		Principal Repayments		Interest Payments	
	1976-77	1986-87	1976-77	1986-87	1976-77	1986-87	1976-77	1986-87
Concessional of which	12,486	23,219	1,374	1,861	342	756	211	348
IDA	3,333	10,529	533	714	9	61	21	90
IBRD	240	173	3	—	33	13	16	11
Non concessional of which	796	8,694	164	1,781	154	825	52	766
IBRD	216	2,494	73	641	24	139	15	284
Bilateral loans	288	1,185	33	111	63	138	18	106
Commercial loans	293	5,014	58	1,029	68	548	18	375
Private non guaranteed	295	2,598	61	849	62	773	19	244
Total (excluding IMF)	13,577	34,511	1,600	4,491	559	2,354	282	1,358

Source: India: Recent Developments and Medium Term Issues, Vol II, World Bank, Washington DC, April 27, 1988, pp 48-51.

tions in the Indian markets And the banking system has several branches abroad in major financial centres Thus, it is not difficult for Indian banks to develop the capacity and expertise of operating actively in the international market as some of them like the State Bank of India are already doing to some extent What is now required is a deliberate strategy for the purpose

Only four banks—State Bank of India, Bank of Baroda Bank of India and Indian Overseas Bank—have a significant presence abroad in terms of their branches State Bank of India has 23 branches, Bank of Baroda 50 the Bank of India 25 and the Indian Overseas Bank 11—accounting in all for 109 branches out of a total of 122 branches for the entire Indian banking system (Tables 9 and 10) These are the banks that have the institutional basis for operating in the international market provided they develop the required expertise at the head office as well as in their branches They need to have a strategy of using purposively their branches abroad for operations in the international market So far the top management of these banks have had no strategy with regard to their branches abroad and there was no proper guidance and assistance from the head offices to these branches with regard to their operations– largely because of lack of expertise and experience at the level of top management with regard to the international market and the obsessive involvement of the banking system including the Reserve Bank of India with the regulation of interest rates and credit allocation in India without much appreciation of the international context [0]

It may be necessary for these banks to have a strong link with some international banks for evolving partnership relationships with regard to operations in the international market In that case the international banks can lead manage issues of securities or syndicated loans with or without guarantee or underwriting obligations while the Indian partners could concentrate on the background work relating to formulation of proposals for client firms or institutions such relationship should ensure equitable sharing of fees and margins between the two partners Since some of the prominent international banks have branches in India it should not be difficult to forge such relationships

Attracting Foreign Investors to the Indian Market India like some other countries such as South Korea has already evolved some financial instruments and institutions to attract foreign investors

The Unit Trust of India (UTI) started in 1986 INDIA FUND in Guernsey and the India Growth Fund Inc in the US in 1988 in collaboration with Merril Lynch to induce foreign investors and particularly non resident Indians (NRIs) to invest in the securities market of India Further India has attractive deposit schemes and other schemes for portfolio and direct investment in India for the NRIs All these instruments are primarily developed to attract capital inflow from NRIs and that is quite a good tactical move NRIs are quite familiar with India, have emotional and other links with India and a strong desire to be fully informed about Indian developments and also to contribute towards her development—particularly if that is also profitable for them Further once these instruments become established and well known as a result of NRIs participation it may not be difficult to attract other foreign individuals and institutions to invest in these instruments

With the experience gained so far it may be desirable to offer these facilities for investment to all foreign individuals and institutions In this effort the branches of foreign banks in India can be very useful They have been involved in attracting NRI investment and because of their experience familiarity and links with the major financial centres they are in a position to induce foreign investors other than NRIs to invest in India in the instruments currently aimed at only the NRIs

These foreign banks have been useful also as catalyst in generating competitive impulses even in the segmented financial markets in India Though their business in India represents only about 3 per cent of the total for the banking system about 24 foreign banks have 150 branches and are quite active in introducing financial innovations The Standard Chartered is proposing to start a stock broking firm Grindlays is trying to diversify and enter the fields of venture capital fund leasing and mutual fund and Citibank has already started a computer software subsidiary that now ranks third in the business of Indian exports in this field The banks like the Citibank and the Hong Kong Bank have introduced innovations like Automatic Teller Machine and electronic gadgets that enable customers to perform banking business round the clock The Citibank has now set the pace in terms of showing what a foreign bank can do in the field of retail banking, it has introduced new ideas relating to personal loans, service on telephone, etc The Bank of America is going upmarket offering the services of personal banking officers to clients who are known in the business as high net-worth individuals As the chairman of State Bank of India perceptively observed, the new edge to the competition from the foreign banks has made us less complacent" [21] It has been a wise decision of the Indian authorities to let these foreign banks operate in India they are a window to the outside world an instrument for adapting foreign innovations to the Indian environment and also for integrating Indian markets with the markets abroad They have provided a fresh breeze of competition in the highly administered system of Indian banking, their presence is an opportunity that can be exploited for forging vital links with the international market

The other link which needs to be established is with the Emerging Markets Growth Fund (EMGF) sponsored by the International Finance Corporation (IFC) to purchase securities of developing countries' companies listed on foreign as well as domestic stock exchanges The EMGF is investing in nine emerging stock markets, they include in Asia India the Republic of Korea Malaysia the Philippines and Thailand and in Latin America Argentina, Brazil Chile and Mexico Other countries currently under consideration include Jordan Nepal and Turkey [22] The securities of companies in which EMGF is interested in investing in the domestic market, can be later on listed in the markets of the major financial centres the EMGF approval of such securities would enhance their attractiveness to foreign investors in foreign markets

Of course it would be essential to reduce the transaction cost of the foreign investors of dealing in securities of Indian firms by

TABLE 8 INDIA BALANCE OF PAYMENTS 1987 88 TO 1990 91
(millions of dollars at current prices)

	1987 88	1988 89	1989 90	1990 91
(A) Exports of goods and non factor services	16 954	18 859	20 749	21,719
(B) Imports of goods and non factor services	21 848	24 296	26 267	27 804
(C) Resource balance	4 895	5 437	5 518	6 086
(D) Net factor income and net current transfers (excluding interest payments)	827	2 450	2 430	2 505
(E) Current balance (excluding interest payments)	3 968	2 987	3 088	−3 581
(F) E as a per cent of GDP at market prices	1 56	1 02	0 96	1 00
(G) Interest payments	1 652	1 670	1 712	1 820
(H) Repayment of loans	3 358	3 474	3 403	3 195
(I) G + H as a per cent GDP at market prices	1 97	1 76	1 60	1 40
Total gross capital inflow (E+G+H)	8 978	8 131	8 203	8 596
Total gross capital inflow per cent of GDP (F+I)	3 53	2 78	2 56	2 40
End year reserves (excluding gold)	6 354	6 095	7 091	8 237

Source India. Recent Developments and Medium Term Issues Vol II World Bank, Washington DC April 27 1988 pp 48 51

streamlining legal and other administrative procedures The attractiveness of Indian securities for foreign investors can be enhanced by deliberate and purposive elimination of transaction costs and risk arising from *functionless* political and bureaucratic procedures or interventions, and reduction of other such costs and risk by innovative ways of handling such transactions with minimum delay and adequate and timely provision of required information

Integration and Interest Rate Policy Integration of domestic with the international market implies that interest rates in India should be related fairly closely to the interest rates in the major financial centres Since countries like India would like to stimulate capital inflows and discourage capital outflows domestic interest rates or yields adjusted for expected exchange rate changes on deposits and bonds should be higher than those prevailing abroad and at the same time to discourage excessive borrowing from abroad the domestic interest rates or cost of borrowing should be lower than the cost of borrowing abroad adjusted for expected exchange rate changes Such interest rate policy can be implemented only if there are pressures and incentives for the domestic banks and financial markets to improve their efficiency of operations by reducing transaction costs for both lenders investors and borrowers and an exchange rate policy that is consistent with and adequately coordinated with the domestic interest rate policies

The domestic interest rate policies have also some relationship with the differential relating to domestic and foreign gold prices The foreign investors and particularly the NRIs may prefer to invest in gold by purchasing gold abroad and selling it in India when the profit margins on such transactions are quite high It appears from available evidence that the NRIs are selling foreign exchange to the gold smugglers for rupees at a premium of about 20 25 per cent above the official exchange rate and the latter export gold illegally to India because of about 50 per cent differential between the domestic and international gold prices Thus the attraction of financial instruments for some NRIs is much less than for illegal transactions in the currency markets

If the NRIs and the foreign tourists are permitted to bring gold to India with an import duty of 20 25 per cent on the value of gold it is quite likely that the differential in the international and domestic prices of gold would be narrowed And this for two reasons

- because of freedom to import gold in India the supply price of gold may become lower than what it is now currently there is a risk attached to gold smuggling
  further with such import of gold the demand for gold with an investment motive may decline as the expectation of higher domestic prices may be damped.

If the price differential is narrowed, the NRIs currently selling foreign exchange to smugglers may be attracted by the other financial instruments thus increasing the inflow of resources through official banking channels

Even if the price differential were not narrowed the situation would be better than what it is now The government expenditure incurred to prevent gold smuggling would considerably diminish government revenues would increase as a result of import duty on gold and with a free market for gold there would be possibilities for the Reserve Bank of India to use gold as an instrument for its open market operations as well as for strengthening its gold reserves Such gold imports may also facilitate larger exports of gold ornaments and jewellery in which because of traditional skills India has a comparative advantage And the NRIs may in that case import them from India Further the black market in foreign exchange may shrink and there may result a closer alignment between the official and the black market exchange rates of the rupee

Gold is a commodity unlike any other in the sense that it is durable not subject to wear and tear and internationally acceptable like any other convertible currency Further in India for traditional reasons- sanctity attached to gold its value as a reserve asset and its use in ornaments the demand for gold is likely to increase despite high prices

TABLE 9 BANK WISE AND COUNTRY WISE BREAK UP OF OVERSEAS BRANCHES OF INDIAN BANKS

Country	Bank of Baroda	Bank of India	Bharat Overseas Bank Ltd	Canara Bank	Indian Bank	Indian Overseas Bank	State Bank of India	Syndicate Bank	UCO	Total
Bangladesh							1	-		1
Bahamas	1			—			1	—		2
Bahrain	1						1			2
Belgium	1			-			1			2
Cayman Islands	-	1		-		—	1			2
Channel Islands	—	1							-	1
Fiji Islands	11			—						11
France	-	1					1		-	2
Guyana	1			—						1
Federal Republic of Germany	—			—			1		—	1
Hong Kong		2	-	—		6	1		2	11
Japan		2		—			2		—	4
Kenya		2		-					—	9
Maldive Islands							1	--		1
Mauritius	6			—					—	6
Oman	3	-		-	—	-		-	—	3
Panama	-	—		—		—	1	—	—	1
Seychelles	1			-			—	—	—	1
South Korea		-		—		1	--		—	1
Sri Lanka	—			-	2	3	1		—	6
Singapore	—	1		—	1	1	1	-	3	7
Thailand	—	—	1	—	-	-	—	—	—	1
United Arab Emirates	6	—		—		—	—	—	—	6
United Kingdom	11	13	—	1	-	—	5	1	2	33
United States of America	1	2	-	—	—	—	4	—	—	7
Total	50	25	1	—	3	11	23	1	7	122

Notes (1) Includes 8 off shore banking units in Bahamas Bahrain Cayman Islands Channel Islands and Singapore
(2) As at end December 1997
Source Reserve Bank of India

at least at half the rate of growth of population It is for these reasons that in spite of stringent gold control, illegal gold imports have continued for several years

From the country's point of view, the private gold stocks can be mobilised in emergencies like a breakdown of the international monetary and financial system or a war and used as foreign exchange Anyway the suggested policy measure is worth trying out for some years to find out its consequences particularly as it does not involve any use of India's official foreign exchange earnings or reserves

IV

Liberalisation of the Domestic Financial Markets

For gaining access to the international market as well as for improving the investment and productive efficiency in India it is essential to reduce transaction costs and risk relating to financial instruments through financial innovations that provide a wider choice of instruments to savers investors as well as borrowers For this purpose there has to be freedom from functionless legal and administrative restrictions on the functioning of financial markets and deliberate creation of a policy environment favourable for generating competitive impulses and for entrepreneurial functioning

Competitive Impulses The restrictions on the functional scope of financial institutions need to be progressively relaxed for creating a competitive environment As is happening in the major financial centres the commercial banks should be permitted to engage in investment banking activities which are as emphasised earlier are essential for operating in the international market Several banks have now entered the field of merchant banking mutual funds leasing housing finance etc and they need to extend their activities to investment banking also

The entry of commercial bank in this field is essential for another reason also As is happening in the international market the major corporate borrowers in India too are increasingly relying on the securitised markets for their resources The banks are likely to lose this profitable market and if they are to be financially viable they need to diversify their activities into fields like investment banking that make it possible for them to earn fees from domestic as well as foreign clients

Such competitive and entrepreneurial impulses cannot be generated unless the top management of financial institutions has freedom from *ad hoc* interference from the government and other administrative controls and restrictions that prevent them from operating in an entrepreneurial manner The fixity of tenure, at least for five years, for the top management of these institutions is imperative if they are to function as innovative entrepreneurs Currently the entrepreneurial talents of the top management have scope only in a vertical direction, that is, in accommodating the whims and caprices of the politicians and the bureaucrats rather than in the horizontal direction of improving their services to their customers This has to change [23]

Strengthening Money and Capital Markets Several measures have been taken recently to promote and strengthen the securities markets in India Discount and Finance House of India (DFHI) has already started its operations relating to short term financial instruments Credit Rating Information Services of India Ltd (CRISIL) has been established to rate companies as well as securities listed in the capital market A national market has effectively been created by an electronic link up between five major stock exchanges in India which simultaneously transmits price information and other data to all exchanges The Stock Holding Corporation of India (SHCI) has been formed by the financial institutions in order to provide clearing house facilities to promote speedier transfer of securities, this corporation acts as a central clearing agency for registering of transfers of securities and reduces considerably the time-lag in effecting transfers Securities and Exchange Board of India (SEBI) similar to the Securities and Exchange Commission of the US has been set up to promote orderly and healthy growth of the securities market All these developments seek to attract and protect investor interest by provision of better and fuller information with regard to the companies whose securities are listed in the national stock exchanges

However, unless the financial institutions are permitted to operate as brokers dealers, underwriters and investors in the money and capital markets, the growth and development of these markets may be inhibited Various types of banks should be permitted to assume such functions In that case it may become possible to evolve a market in short-

TABLE 10 COUNTRY WISE DISTRIBUTION OF INDIAN BANKS OVERSEAS

Country	Branches		Banking Subsidiaries		Affiliates	Representative Offices
	Conventional	Offshore Banking Units	Wholly Owned	Majority Owned		
Australia					—	1
Bangladesh	1				—	—
Bahamas		2			—	—
Bahrain		2		-	-	—
Belgium	2					—
Bhutan					1	—
Canada			1		-	—
Cayman Islands		2				—
Channel Islands		1			-	—
Egypt				1		1
Fiji Islands	11			—	—	—
France	2		—	—		-
Guyana	1				—	—
Federal Republic of Germany	1				-	-
Hong Kong	11		3		—	—
Indonesia					—	3
Iran					—	1
Italy					—	1
Japan	4			-	—	—
Kenya	9		1	-	—	—
Malaysia					1	—
Maldive Islands	1					—
Mauritius	6				—	—
Nigeria				—	2	—
Oman	3	-	-	-	—	—
Panama	1				—	—
Seychelles	1				—	—
South Korea	1			—	—	—
Sri Lanka	6		-	—	—	—
Singapore	6	1	-	—	—	—
Thailand	1		1	—	-	-
United Arab Emirates	6			—	—	—
United Kingdom	33	-	—	—	—	—
United States of America	7		1	—	—	1
Uganda	-		-	1	—	1
USSR	—	—	-	—	—	1
Zambia	—	—	—	1	—	—
Zimbabwe	—	—	—	—	—	1
Total	114	8	6	2	4	10

Notes As at end December 1987
Source Reserve Bank of India

term instruments by converting the present inter corporate deposits into a negotiable commercial paper making company deposits into a tradeable certificate of deposit and bills of exchange into what are known in the international market as NIFs. The markets for these instruments and the treasury bills need to be integrated with the active participation in these markets by the financial institutions including UTI, Life Insurance Corporation of India (LIC) and the Employees Provident Fund (EPF) for this to be possible restrictions on their investment portfolio need to be relaxed. The commercial and development banks if they assume investment banking functions could strengthen these markets in various ways. These markets can also be widened and deepened by securitising dormant assets like house mortgages and the like. The commercial and development banks too can securitise some of their assets as a measure of raising more resources for their functioning.

The promotion or strengthening of the market for short term instruments through refinancing or rediscounting facilities with the Reserve Bank of India or Industrial Development Bank of India is not an effective or efficient method for the purpose; such facilities should be used sparingly and only as a last resort. They become necessary only when the financial markets are fragmented along with the interest rate structure because of administrative regulations. The viable method of strengthening these markets is through an appropriate interest rate policy.

Structure of Interest Rates. The fragmentation of financial markets has arisen partly because of the irrationality in the administered structure of interest rates. This structure does not reflect the differential transaction costs and risk attached to various instruments and thus gives incorrect signals to investors savers lenders and borrowers and prevents integration of the financial markets as well as adoption of appropriate financial innovations. The lack of integration is further aggravated through fiscal measures like exemption from tax on interest income from some instruments.

This structure hence needs to be rationalised. It may be necessary to have some administered rates but they need to be flexible so as to reflect the changing economic situation. However even to know the levels at which such interest rates should be fixed and changed in the light of the developing situation, it is essential to have market determined interest rates, particularly related to negotiable tradeable instruments. On this logic, interest rates on bank deposits and government securities should be flexibly administered, while the financial markets and institutions should be free to determine the other rates including interest rates on loans.[24]

It may be necessary to direct credit to certain so-called priority sectors, but these sectors, to be priority sectors, must be very few like small farmers small enterprises of all types and exports. As is done currently credit to these sectors should be fixed as some proportion of deposits but it is not necessary to fix administratively interest rates on advances or loans. Fixing both price and quantity would affect the viability of the banks if they strictly adhere to the directives if they do not they will be induced to raise the cost of borrowing by levying non interest charges to such borrowers thus adversely affecting the very sectors that are given priority status.

Credit allocation to such sectors through directives without fixing interest rates on loans would induce the banks to introduce such innovations as reduce transaction costs and risk to both lenders and borrowers and thus improve the effectiveness and efficiency of the banking system. At present there is no such incentive and the financial viability of the banks is already undermined.

Exemption of interest income on some instruments from taxation does not appear to be the right instrument for raising the rate of financial savings. It would provide an irrational incentive for reallocation of savings toward favoured instruments. For stimulating savings in the form of financial assets it would be much more effective to exempt net savings that are increase in financial assets minus increase in financial liabilities from taxation; this would raise the net return on all financial instruments and discourage consumption without fragmenting the financial market. Such a modified expenditure tax can replace several separate taxes if the following tax base is adopted:

(income from all sources + capital gains + gifts received) − [(increase in financial assets − change in financial liabilities) + gifts given to others + expenditure on one house meant for one's own use]

Such a tax would replace several separate taxes like income tax capital gains tax gifts tax and inheritance tax thus simplifying the tax system and at the same time stimulate financial savings.

Prudential Regulation and Supervision. Liberalising financial markets from *fun tionless* administrative controls regulations and directives does not mean that there should be no regulation and supervision of these markets. In fact financial markets are fragile and susceptible to what Pigou calls errors of optimism and pessimism and in addition unsound financial practices like cheating fraud and unwise hasty ill informed decisions have large cumulative and self reinforcing external diseconomies as they affect the entire financial system and through it the productive sectors.

For this purpose the institutional infrastructure is already in place. The Reserve Bank of India has this responsibility *vis a vis* the banking system, the Industrial Development Bank *vis a vis* the development banks and the newly created Securities and Exchange Board of India *vis a vis* the securities markets. These institutions need to be strengthened in the light of the emerging needs that may arise as a result of liberalisation.

Concluding Observations

The international capital market as it has been evolving provides an opportunity for developing countries like India to attract the required capital inflow for accelerating their pace of development manage their foreign exchange assets and liabilities to their advantage and develop export capabilities in the field of financial services. Active participation in this market would not only improve their access to the market but also indicate the institutional and policy framework essential for developing effective and efficient domestic financial markets. Of course since participation does imply a progressive integration of domestic markets with the international market it would make the domestic markets vulnerable to the vicissitudes of the international market. But is the China's way by opening our windows wide to our cousins flies along with fresh air but if you don't open the windows you will not get the bad air at the same time no fresh air either.

The possibilities of such participation would be enhanced if the developing countries like India take a constructive stand with regard to the multilateral negotiations in respect of trade in services under the Uruguay Round. Such active participation in negotiations would result into multilateral rules in the sphere of trade in services and safeguards for the developing countries subject of course to eventual and negotiated erosion with graduation perhaps even slower paced than is now discussed for goods.[25]

This would open out opportunities for export of services like financial services and computer software that are skill intensive and with regard to which countries like India have a potential dynamic comparative advantage. Further the increased competition would also tend to improve the domestic financial system thus stimulating greater productive and investment efficiency in the productive sectors.

Confrontation and rhetoric for special and differential treatment in the matter of trade as well as trade in services or for an international economic order arouse only hostility and are self defeating. In fact as it has happened in the area of trade in goods, that would give greater discretionary powers to the administrative authorities in the developed countries without an agreed and negotiated system of multilateral rules, the international system would provide opportunities for governments of the economically strong countries to dominate in one way or another (witness the Voluntary Export Restrictions—VERs—and Voluntary Import Expansions—VIEs) the weaker ones.[27] It is to the advantage of the developing countries

to have an international system based on multilateral rules rather than political and economic power And to have such a rule based system, it is essential—nay, vital—for the developing countries to participate actively and intelligently in the negotiations for trade in goods as well as trade in services Intelligent participation in negotiations would also indicate to the developing countries the areas in which the domestic institutional and policy framework needs change and improvement Hostility and confrontation are possible with ignorance cooperative ventures require intelligence and diligence

Notes

[Paper presented at an International Seminar on Trade in Services jointly organised by the UNCTAD and the Indian Council for Research on International Economic Relations in April 1989 at New Delhi]

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INDIAN COUNCIL OF SOCIAL SCIENCE RESEARCH

Prof V K.R.V. Rao Prizes in Social Sciences

The Institute for Social and Economic Change Bangalore has instituted an annual award of three prizes of Rs 5 000/- each for high quality research in social sciences, one in Economics every year, and two in other Social Sciences by rotation The awards are for those Indian Scholars who have made significant original contribution to human knowledge and progress, applied or fundamental, in the specific fields of social sciences and who are below the age of 45 years on 31 December of the year to which the award relates A prize shall be awarded on the basis of work done in India during the period of 5 years preceding the year of prize The prizes are administered by the Indian Council of Social Science Research for the Institute

The award for 1986 will be in History and Socio-linguistics, for 1987 in Economics, Demography and Human Geography, for 1988 in Economics, Education and Political Science and for 1989 in Economics, Psychology and Sociology

Nominations of scholars for the award will be made by any of the Universities or Institutions of higher learning and research in any of the social sciences or by eminent social scientists or by any educational or research organisation of the Central or State Government The nominating institution or individual proposing the scholars for the award should give particulars of the scholar nominated with regard to name in full and address, date of birth, academic qualifications, professional experience, title or titles of research work recommended for award with brief synopsis of work done and particulars of journals that have published or reviewed the research work Four copies of the research work recommended for the award should be sent alongwith the required information

Nominations should reach **Dr T K Majumdar, Executive Director, Indian Council of Social Science Research, 35, Ferozeshah Road, New Delhi 110001, latest by 21st August, 1989**

Rural Social Transformation and Changes in Health Behaviour

Debabar Banerji

This paper discusses the findings of a wide-ranging study of health behaviour in nineteen villages spread over eight states and covering a time-span of fifteen years The study, which has provided a range of information on rural social cultural and economic transformation on the one hand and changes in health behaviour on the other highlights the close correlation between the two and brings out that change of health behaviour can be considered as one of the indices of the degree of rural transformation

EARLIER studies on health behaviour were conducted along the tradition of village studies They suffered from profound ethnocentric biases in data collection and in analysis and interpretation of the data Some more influential of these are briefly mentioned below

Two cultural anthropologists from foreign countries—McKim Marriot [1955] and Morris Carstairs [1955] were among the first to carry out formal social science studies in health in India Both of them lived in villages for considerable periods to present the contrast between western and rural Indian medicine in terms of doctor patient relationship

Marriot carried out his study in the village Kishan Garhi in Aligarh district of Uttar Pradesh in 1952 He attempted to analyse the cultural problems involved in introducing what was considered to be more effective medical techniques to a conservative village He describes the overall social organisation of the village, then analyses the village medical institutions in particular and finally re-examines the role of the western doctor as it appears to villagers in the context of their own social organisation and their own medical institutions Analysis reveals several contrasts and conflicts that have existed in the past between the roles assumed by indigenous and by western medical practitioners conflicts that have acted as obstacles to the spread of western medicine The analysis also points to certain resemblances between the roles of indigenous and western medical practitioners and suggests how some of these resemblances might be exploited in establishing what the author terms as scientific bridgeheads' The successful establishment of effective medicine here appears to the researcher to depend largely on the degree to which scientific medical practice can divest itself of certain western cultural accretions and clothe itself in the social home spun of the Indian village" The value position of the researcher is quite obvious

Carstairs conducted his studies in 1951 and 1952 in two villages—Surajpur and Delwara—located in the extreme north of the then Udaipur state. He was familiar with this region because his father was a missionary and he grew up there. Significantly, he starts his presentation with a reference to a short story by Rudyard Kipling where he describes how a young district officer persuaded a frightened village community to submit to vaccination by reminding the people that its effectiveness is derived from the sacred cow and then getting one or two Brahmin men to be the first to undergo it

His conclusion was that to the people of rural India sickness is as much a moral as a physical crisis Villagers can scarcely be expected to change their whole cosmology simply to accord with the outlook of a western trained doctor According to him those who are interested in introducing western technology in public health and medicine ought to study how they can adapt the roles of the doctor and other health workers to fit in to the existing cultural expectations In the process they may have to consent to assume the mantle of the priest or the magician Carstairs hastens to explain that by this he does not mean the western doctors will themselves subscribes to non rational belief but simply that they will accept the inevitable fact that their own techniques of healing will be accepted irrationally Carstairs contends that western health personnel can however turn this fact to advantage by dramatising the concepts of infection sterilisation and chemotherapy for all their worth and by accepting as an asset the quite unscientific awe which the ritual of even minor surgery can inspire He concludes that these considerations may sound devious and machiavellian, but as long as western trained worker remain clear in their own minds about the worth of the contribution they have to make to the community s well being, they will be able to play their roles with that conviction and assurance of ultimate success which the villagers themselves recognise as the hallmark of true potent therapy

Khwaja Arif Hasan [1967] has been among the first scholars (1959 60) to have carried out field work specifically to elaborate on cultural dimensions of health in an Indian village The village selected by Hasan is atypical in many ways—it is near Lucknow city it is a part of the field practice area of the department of preventive and social medicine of KG Medical College, Lucknow and the study population had a disproportionately high representation from the Muslims and lower castes The author stayed in the village for full one year and conducted participant observation, besides analysing available records and administering a voluminous questionnaire to a purposive sample of 80 out of a total of 215 households In the report he describes the village environment sanitary habits personal hygiene food habits and taboos drinks and drugs concepts of aetiology and illness and doctor patient relationship He has pointed out the factors that directly affect the health of a community because of certain customs and practices beliefs values and religious taboos and those that indirectly affect the health of the community Some of the cultural factors play a positive role while others have negative influence on the health of the village community

Other scholars like van der Veen [1981] Nichter [1981] Khare [1981 1963] Parker et al [1979] Kapur [1979] Carstairs and Kapur [1976] Bhatia [1975] Bhardwaj [1975] Leslie [1967] and Opler [1963] have also reported on health behaviour of rural populations on the basis of their field studies (Charles Leslie [1988] Girraj Gupta [1981] and Ahluwalia [1972] have also provided reviews of studies in this area)

Looking from the other end Sikand and Raj Narain [1957] reported that only 42 per cent of sputum positive tuberculosis cases discovered in the course of a sample survey of the population of Delhi city were known to tuberculosis institutions in Delhi If this logic is carried to the situation prevailing in rural areas where virtually no tuberculosis institutions existed at that time, then all the tuberculosis cases were unknown' Such an approach to analysis once again takes a very narrow technocentric view of behaviour of tuberculosis patients—they must go to a specialised clinic if they were to be classified as 'known' cases More unfortunately, this data were used to justify the recommendation of use of the very expensive and highly complicated method of catching' the 'unknown' cases through the use of mass miniature radiography

From the hindsight of the past quarter of a century, it is apparent that the forecasts of scholars like Marriot Carstairs, Hasan Guld and Khare that rural populations will resist western medicine unless major modifications are made in the delivery system, have not turned out to be true They were so preoccupied in obtaining data which made them think of ways of manipulating people (e g, the Kiplingian gimmicks sug-

gested by Carstairs) and/or manipulating the practitioners of western medicine to overcome the alleged resistance, that they did not ask the very obvious research question why even in the fifties were villagers taking all the trouble and expense of visiting hospitals in urban areas even when they were dealt with so shabbily there and even when these institutions so often failed to alleviate their suffering?

The failure to raise such vital research questions was perhaps due to their taking a value position in favour of western medicine and against the traditional practices of the so-called backward rural population. This has profoundly biased both the conceptualisation of their research problems and the methodological approaches adopted by them.

There was a blanket admiration for western medicine: it was considered to be good and the traditional practices were not good. Marriot, for instance, considered the smelly shark liver oil and the calcium tablets prescribed by a missionary doctor (who was persuaded by Marriot to visit Kishangarhi) as a superior treatment of tuberculosis than the gold and honey treatment prescribed by the local medicine man. Carstairs' approach was even more derogatory and condescending to the local cultural practices.

One outcome of such an obvious bias in the study of way of life of the villagers was that it came in the way of studying the culture in its entirety. Some specific aspects of the culture, which tended to justify the preconceived notions of the researchers, received disproportionately greater attention than the rest. There was a selective approach to the study of health behaviour.

These scholars studied health behaviour of people in isolation. It was not adequately realised that it is a mere component of the overall cultural response to problems faced by the population. Health behaviour is related to cultural perception of health problems. Culture also determines the meaning of health problems to the people. Again, culture mediates in the formation of various institutions and functionaries for coping with the problems. Thus, health behaviour ought to have been seen only as a component of a complex whole. If health behaviour is not seen in that holistic context, there is a real danger of its getting distorted in the process of study. This conceptual aberration, which, in turn, distorted the methodology, seems to have vitiated many of the earlier health hebaviour studies.

This trend of social science thinking in health ('medical sociology') has also shaped the basic thinking in the conventional approach to the discipline of health education. As practitioners of this brand of medical sociology, health educators in India took a pronounced value position that western medicine, as embodied in the government health and family programmes, are 'good' and that they must bring about changes in the so-called superstitious, illiterate, ignorant, tradition-bound rural people so that they are made to accept (motivational manipulation) what is handed down to them by government agencies [Mahler 1982, Banerji 1986]. Health educators enthusiastically welcomed the change' models of western scholars like Hochbaum [1965], Katz [1952] and Rogers [1948] in developing theory and practice of health education in India. Again, with the hindsight of the past quarter of a century, it can be understood why such victim blaming, patronising and manipulative efforts have not yielded the desired results. India's family planning programme [Bose 1988] and UNICEF's effort to promote what it called social marketing [Manhoff 1984] to sell immunisation programmes are glaring instances of the failures of the traditional approach to health education.

CULTURAL CORRELATES OF HEALTH BEHAVIOUR

Social science studies conducted in the early sixties at the National Tuberculosis Institute, Bangalore (NTI) [Banerji and Andersen 1963, Banerji 1971] deserve special attention as they were qualitatively different from most other studies in more than one sense. The NTI was given a specific mandate to formulate a nationally applicable, socially acceptable and epidemiologically effective national tuberculosis programme for India. All its research activities revolved around this mandate. An inter-disciplinary team was formed to perform this task. Social scientists were recognised as members of this team and they worked with public health administrators, epidemiologists, specialists in tuberculosis diseases, microbiologists, public health nurses, radiological engineers and statisticians to carry out the task assigned to the institute.

Because of their different orientation, the social scientists asked different types of questions regarding the problem of tuberculosis in India. They did not follow the traditional line of finding ways of manipulating tuberculosis patients so that they participate in case finding and case holding operations launched through mass radiography or tuberculosis clinics. Nor did they follow the footsteps of scholars like Marriot or Carstairs in writing detailed accounts of exotic health practices in traditional' societies. They decided that the formulation of a national tuberculosis programme should start from an understanding of the people concerned: they 'went to the people to learn from them". The research questions were: how do tuberculosis patients in a rural community respond to the disease? How many are at least conscious of the symptoms of the disease? To how many are the symptoms cause of worry and how many take action about their symptoms? In other words, the research was meant to give a sociological dimension to the epidemiology of tuberculosis in the country. Closely following an epidemiological survey of tuberculosis in Tumkur district of Karnataka [Raj Narain et al 1963], a careful sociological study was designed at the sociological section of NTI in 1960 [Banerji and Andersen 1963] to measure the degree of awareness of the patients in terms of 'consciousness', 'worry' and 'action'.

The findings from the study were very revealing. At the time when there was a strong tendency to seek the help of social scientists to 'catch' people for mass radiography, it was found that, motivated by the suffering caused by the disease, as much as half of all infectious cases in the population had sought assistance from government rural health institutions and almost invariably they were sent back from there with a bottle of cough mixture. Another quarter of the cases were worried about the symptoms (chronic cough, fever, chest pain and blood in sputum) and almost all of them (95 per cent) were at least conscious of them.

Defaulting in drug intake by patients in the course of implementation of the national tuberculosis programme was another area studied by social scientists of NTI [Andersen and Banerji 1963, Singh and Banerji 1968, Banerji 1971]. These studies revealed that by far the greatest fault lay not with the patients as was then generally supposed, but with those who were responsible for lapses in the organisation and management of the programme – in supply of drugs and X ray films, in availability of the recommended trained staff, in integration of the service, for instance. Technical considerations regarding definition of a case of tuberculosis also contributed to the number of defaulters' because many of those who were branded as cases of tuberculosis were not cases at all and some of the tuberculosis cases were resistant to the treatment. The patients obviously cannot be branded as defaulters because of defaults in the organisation and in technological assumptions. Finally, in the small group in which the lapse in drug intake was entirely due to faults of the patients, it was found that apart from the very human tendency to forget, often very acute social and economic factors were responsible for this default. These studies [see, for instance, Mankodi and van der Veen 1985, Aneja and Samuel 1982, Narayan and Srikantaramu 1987, Seetha and Kale 1986 and Baily et al 1974] revealed once again that many of the social science studies on this problem were out of focus because of value positions adopted by the research workers.

Thus, a much more systematic way of conceptualisation of the problem of health behaviour and paying much greater attention to methodological issues led to findings which seriously called into question the conclusions about health behaviour of rural populations drawn from the earlier 'village studies'. The sociological studies in NTI were of far reaching significance, not only in the formulation of India's National Tuberculosis Programme [Banerji 1971], but also in identifying some major concepts in medical sociology. Two of these concepts, which have

already been referred to earlier are mentioned below

The findings showed that health behaviour of a community cannot be studied in isolation It is influenced by the degree of access to effective services These two (i e, health behaviour and access) also interact with cultural perception and meaning of a health problem Because of improvement in the access to effective services the earlier perception that tuberculosis is a stigmatising disease almost invariably ending in death has changed considerably Therefore all these factors should be considered together This interacting complex whole has been termed as health culture The most significant finding was that there was an area of overlap of felt need and epidemiologically assessed need its use in entirely new direction to programme formulation away from conventional approach of mass radiography mass BCG inoculation and specialised tuberculosis clinics It enjoined that the first priority be given to those epidemiologically assessed cases who also had felt need for services As this principle can be generalised to cover a wide range of community health problems it forms the cornerstone of the new social science approach to health

There have been a number of other studies village studies which have analysed the issue of health behaviour of rural population within a wider framework Some of them are mentioned below

Djurfeldt and Lindberg [1975 216] conducted study of introduction of western medicine in the village Thanjavur in Tamil Nadu in 1969 70 and concluded that as the health situation in the village was consequence of the prevailing economic and political order both the western and indigenous systems of medicine are equally impotent in dealing with the health situation and only a profound transformation in the economic and political structure can give the people of Thanjavur the means to improve their health In a study of yet another group of Tamil Nadu villages Sheila Zurbrigg [1984] has looked at continuing ill health in India through the life of a labouring village woman, exploring the forces which keep her from adequately feeding and caring for her children and herself She advocates a shift of attention and efforts of health workers to the poverty dependency ill health dynamics and suggests how issues of ill health can be used to strengthen the broader struggle by the labouring poor for health and social justice

Research students at the Centre of Social Medicine and Community Health of Jawaharlal Nehru University have also conducted some significant studies Studying six Oraon tribal communities living at varying distances from the sophisticated hospital at the steel plant at Rourkela Santosh Kumar Sahu [1980] had observed that changes in the access to western medical services had profoundly changed the other components of their health culture Furthermore, he found considerable degree of unmet felt needs for western style medical services even in the remotest Oraon village and that when medical catastrophes strike them, they are prepared to make great sacrifices to gain access to practitioners or institutions of western medicine

Studying the interaction between the people and Integrated Child Development Scheme (ICDS) in a tribal block in Orissa Santa Rave [1982] observed that many of the major shortcomings in the implementation of the ICDS could have been avoided had the organisers developed a people oriented programme instead of imposing a predetermined package of services on the people

Conducting a community study as a component of analysis of the National Leprosy Control Programme (LCP) in Chingleput district of Tamil Nadu as a system K V Rao [1982] found that perception of stigma in a community is confined mostly to those cases who had developed deformities Cases develop deformities because they are not diagnosed and treated during the long pre deformity phase of the disease quite often due to lapses in the implementation of the LCP Also carrying out a study of treatment behaviour along the NTI lines Rao demonstrated that in the case of LCP also failure of many patients to continue the prescribed treatment could be due to inadequate epidemiological analysis in defining a case and to inadequacies in the implementation of the programme

A Broadbased Study

The experience from the sociological studies at the National Tuberculosis Institute led in 1972 to conceptualisation of broader based studies of health behaviour of rural populations in India against a much wider social and cultural setting [Banerji 1982] This included study of behaviour in relation to a much wider spectrum of health problems in their curative preventive and promotive dimensions Community response to the family planning programme was also included Another important feature of the research design was that study of health behaviour was developed around an integrated concept of the entire way of life in rural populations which included such key areas as social and biological meaning of poverty social economic, demographic and political determinants of poverty relationship between caste religion class and politics and interaction between different segments of a rural community on the one hand and the different programmes for development including the 'agents' who deliver the programmes, on the other

The most significant feature of this study was that the entire methodological edifice was built around such an integrated concept Depending on the linguistic competence of the investigators, nineteen villages, covering the states of Gujarat, Haryana, Karnataka Kerala, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal, were selected for a field work type of investigation of health behaviour in the context of the social and cultural setting To study the influence of access, eleven of the villages also had a fully staffed primary health centre (PHC) and two had a sub centre of a PHC

Apart from collecting data through village informants—panchayat members school teachers and other formal and informal village leaders—the investigators identified informants and some 'ordinary' members from *each segment* of the village community and made observations and conducted depth interviews to understand the health culture of the village against the background of its total culture They also prepared case reports to provide a deeper insight into the response of the different segments to a very wide variety of health problems covering the fields of medical care family planning, maternal and child health communicable diseases, environmental sanitation, etc Their stay in the villages also enabled them to make direct observations, followed by depth interviews of the actual behaviour of the villagers when they encountered certain specific health problems They could also study the interaction between the PHC personnel and the villagers both when the former visited the village and when the villagers visited the PHC Apart from these efforts to ensure that in depth qualitative data were obtained from *all* the segments of the entire village community and they were as far as possible checked and cross checked a quantitative dimension was given to some of the main qualitative data by framing an unstructured interview schedule on the basis of these qualitative data and administering it to a 20 per cent stratified random sample of the village households

Taking into account the social and economic status of the people the epidemiology of health problems and the nature of the health services available it is not surprising that problems of medical care should be by far the most urgent concern among the health problems in rural populations But the surprising finding is that the response to the major medical care problems is very much in favour of the western (allopathic) system of medicine irrespective of social economic occupational and regional considerations Availability of such services and capacity of patients to meet the expenses are the two major constraining factors

On the whole the dispensary projects a very unflattering image Discrimination against the poor and the oppressed poor quality of medicines (only red water), lack of medicines, over-crowding and long wait, nepotism, bribery and indifferent and often rude behaviour of the staff are some of the charges that have been levelled against most of the dispensaries Complaints about medicines and over crowding and long wait are made even against the best of the PHC's studied

Because of the very poor image of the PHC dispensary and its limited capacity, it

is unable to satisfy a very substantial proportion of the demand of the villagers for medical care services This enormous unmet felt need for medical care services is the main motive force in the creation of a very large number of the so called Registered Medical Practitioners (RMPs) or quacks The RMPs are thus in effect created as a result of the inability of the PHC dispensary or other qualified medical practitioners to meet the demands for medical care services in villages

Apart from these depending on the economic status of the patient and the gravity of his illness villagers seek help from government and non government medical care agencies in the adjoining (or even distant) towns and cities There are several instances of families having been totally ruined in the process of meeting medical care expenses for major illness of the bread winner or of other family members

There are numerous instances of adoption of traditional healing practices But among those who suffer from major illnesses only a very tiny fraction preferentially adopt these practices by positively rejecting facilities of the western system of medicine which are more efficacious and which are easily available and accessible to them Usually these practices and home remedies are adopted (i) side by side with western medicine (ii) after western medicine fail to give benefit (iii) when western medical services are not available or accessible to them due to various reasons and (iv) most frequently when the illness is of minor nature

A very significant finding of this study is that the family planning programme has ended up in projecting an image which is just the opposite of what was actually intended Instead of projecting an image which reflects respect for dignity of the individual the so called democratic approach which offers free choice of methods to the users and which ensures better health services--the image of the family planning workers in rural areas is that of persons who use coercion and other kinds of pressure tactics and offer bribes to entice people to accept vasectomy or tubectomy There are on the other hand a few workers who invoke the pity of community leaders by making pathetic entreaties to them to give them some cases to save them from losing their jobs To a large section of the villagers the inverted red triangle and the workers behind the banner invoke a feeling of strong antipathy

There have been numerous complaints from the villagers that they got no help from the organisations when they encountered complications following acceptance of family planning services—IUCD, vasectomy and tubectomy These dissatisfied acceptors have been allowed to freely spread scare stories regarding these methods Failure to provide even a very rudimentary system of health services, particularly curative services, has tended to reinforce this negative image

Because of failure of workers to develop rapport with the villagers sometimes the villagers are unable to meet their needs for family planning services Negative response invoked by the high handed attitude of the family planning workers and the single method mass approach usually adopted by them often obscured the fact that many villagers actively seek family planning methods of their choice and these demands remain mostly unmet due to lack of response from the field workers

There are several instances of mothers who failing to get suitable family planning services from the PHC took recourse to induced abortions to get rid of unwanted pregnancies This not only points to the failure of the programme to meet their needs for the services but it also draws attention to the failure of the programme to offer suitable abortion services to mothers with unwanted pregnancies despite the passage of the abortion bill

Most of the Nirodh users have to get their supply from the commercial channels The depot holders are virtually non existent and the free supply from PHC according to some villagers often finds it way into the market and is sold through the commercial channel

The supply of iron and folic acid tablets and tetanus toxoid injections to pregnant women immunisation and nutrition programmes for pre school children and vitamin supplements to the population all of which are supposed to be offered by the family planning programme are virtually unknown in the 19 villages studied in 1972 75

Another very significant finding of this study is that there is considerable unmet felt need for the services of the Auxiliary Nurse Midwife (ANM) at the time of child birth Villagers are keen to have the ANMs services because they consider her to be more skilled than the traditional *dai* Wherever the ANMs have provided services the *dai's* role has become less significant It is significant that even those ANMs who have tarnished their image by openly carrying on extra marital affairs within the village continue to command respect from villagers

The overall image of the ANM or the Lady Health Visitor (LHV) in villages in north India is that of a person who is quite distant from them meant only for special people or for those who can pay for her services She is not for the poor She can be called only when there are complications and then also she should be paid She is not expected to visit them during the pregnancy or after the delivery In the villages in the south the position is (only) relatively better though there also the utilisation of the ANM is much below the optimal level thus leaving substantial unmet felt needs Antenatal and post natal care of the mothers as well as care of the children are virtually absent even in the villages where PHC have been functioning for a very long time

Lady doctors whenever available, are even more inaccessible than the LHVs and ANMs The villagers actively seek their help or even take the patients to the city hospital in the case of intractable obstetrical complications These data once again belie the prevailing notion that the illiterate, superstitious and ignorant villagers do not accept offer of scientific health care services and, instead they go for primitive health practices

Local *dais* conduct the majority of the deliveries even in the villages where the PHC is located In the villages with no PHC, their sway is almost complete It is noteworthy that they seek help from the ANM, LHV or lady doctor for complications which they are unable to manage Use of unclean instruments and adoption of cruder methods by the *dais* and relatives and friends are held as cause of the much more frequent occurrence of neo natal tetanus and other complications But in contrast with the ANM and the LHV the *dais* either do not cost anything or their charges are moderate, they are easily available and accessible at any hour of the day they readily pay repeated visits to the mother during the pregnancy, labour and after labour they perform such chores as massaging of the mother looking after the infant washing the clothes and disposing of the placenta and other soiled material and above all being a useful integral part of the village social system they inspire confidence among the villagers and unlike the ANMs and LHVs they do not subdue them by their curt or even rude behaviour As in the case of the RMPs confinement by relatives and friends and the indigenous *dais* is popular among the villagers not because of their intrinsic merits but in the absence of suitable services from the ANM LHV lady doctors they are compelled to settle for something which they consider to be inferior but which is all that is available and accessible to them

SOCIAL TRANSFORMATION AND CHANGES IN HEALTH BEHAVIOUR

Originally the study of the nineteen villages was visualised as a one time investigation and all the villages were covered during 1972 75 Launching of the intensified family planning drive during the emergency (1975 76) was the immediate stimulus to pay a revisit to all the villages to assess the community response to the intensified drive With the very good rapport which had been developed during the first visit it also became possible to give a time dimension to the findings observed earlier and to recheck some of the key findings The data collected through the first revisit turned out to be very valuable This inspired a number of revisits on similar lines culminating in a much more extensive collection of both qualitative and quantitative covering all the nineteen study villages in 1987 88 to get an integrated account of the socio cultural, economic, demographic and political changes and changes in health behaviour during the

significant period between 1972 1988 In between each village had on an average four revisits

Organisation analysis and interpretation of the very large volume of qualitative and quantitative data collected over a time span of fifteen years needed very great efforts A report entitled *Poverty Class and Health Culture in India* [Banerji 1982] was prepared mainly to present in the time perspective of 1972 1981 an account of socio cultural economic and political changes in the study villages and their broad linkages with health behaviour and with government run health services and other health institutions Much more work remains to be done before a comprehensive report of the entire study covering the time span of fifteen years is finalised Some of the major findings from the first visit along with the trend of changes in the social setting and in the health behaviour of the same population over a fifteen year period are presented below as a preliminary communication on the research

During the first visit there was extensive prevalence of poverty and hunger There was virtually no potable water supply in any of the villages The environmental sanitation and housing conditions were very bad Nevertheless in spite of the very degrading conditions of living for the bulk of the population in these villages there have been efforts to develop them Besides many persons who were relatively well off had brought about changes in the social setting through their efforts

These changes were manifested in the form of development of roads transport system electrification post and telegraph and telephone communication facilities use of radios and a few television sets expansion of the education system opening of branches of commercial banks formation of co operatives modernisation of agriculture in the form of use of chemical fertilisers and pesticides high yielding varieties of seeds irrigation pumps tractors etc shopping facilities markets for sale of agricultural produce small repair shops setting up of industries of various kinds and so forth

By that time there has also been considerable expansion of the government run rural health services doing curative preventive promotive and family planning work Significantly there has also been a major expansion of the private sector in the curative fields in the form of medical practitioners of various kinds chemist shops and maternity homes and nursing homes

There have also been some growth of political institutions in the form of panchayat organisations with political parties showing growing interests in elections to various bodies

Even from a preliminary analysis and interpretation of the very limited data on the changes that have taken place over a period of fifteen years it is possible to come to some very broad conclusions about rural social transformation and changes in health behaviour While arriving at these conclusions it was constantly kept in mind that this period of fifteen years has included some major upheavals in the country in social and political fields These included the emergency period of 1975 77 It also included the political upheaval of 1977 and the corresponding changes in the political leadership in the union and in many of the state governments

The study villages were also very different from one another both from socio economic and health behaviour points of view as they belong to eight different states and as some of them also happen to be block administrative headquarters with PHC located in them Besides there have been several efforts at mobilisation of the voters for the many elections that have taken place for gram panchayats panchayat samitis zilla parishads state legislatures and the lok sabha

One overwhelming finding at the end of about fifteen years since the study was started is a more than 50 per cent increase in the total population of the villages What is more significant this population growth has not taken place evenly in all the villages As given in the table Amdanga has actually shown a decrease in population in five other villages the growth has been about half or less than the overall average At the other extreme Haringhata has registered a population growth of 325 per cent in another three the range of the growth is from 93 to 140 per cent

An equally remarkable finding of this study is that even this massive overall growth of the population in the villages has not confirmed the simplistic predictions made by Malthus and his present day disciples The growth has undoubtedly been exponential at rates of more than two per cent per annum But this has not led to the famines wars and epidemics, as predicted by Malthus An explanation for this phenomenon can be found in the pronounced social and political changes that have taken place in these villages during the same period

Perhaps the most remarkable finding from this study is the significant growth in the momentum of the democratic movement within the study population It may be pointed immediately that this momentum is being visualised in a relative sense A very long way is yet to be covered before the people in the villages are able to actively participate in the decisions which concern them However starting from the democratic movement during the freedom struggle, there has been a sustained progress since independence The situation existing between 1972 1981 has been described in considerable detail in *Poverty Class and Health Culture* The subsequent years have revealed an increase in the consciousness among the masses

Another interesting feature of the changes that have taken place during the past decade and a half is the rapid development of the system of communication and transportation between the villages and the world outside This is in the form of very rapid increase in the number of the radio sets There has also been a remarkable increase in the number of television sets in the villages The villagers also use telephones more frequently There is also a sharp increase in travel by road to the nearby towns and to the state capital This change in the village population is a part of the wider political changes that have taken place at the block district, state and national levels

There has also been a sharp rise in the interest of the villagers in the affairs of the panchayats In many villages there is also active participation in the co operative movement The rural employment scheme has also generated some confidence among the oppressed sections of the population

Concurrent with the very heartening

TABLE GROWTH OF POPULATION IN THE STUDY VILLAGES (1971 1988)

Villages	1972	1988	Per Cent Change
1 Amdanga (WB)	1724	1431	17 0
2 Kamdevpur (WB)	1687	1906	13 0
3 Pazhambalakode (Kerala)	3592	4272	18 9
4 Covalmannam (Kerala)	3012	3700	22 8
5 Pullambadi (Tamil Nadu)	6026	7511	24 6
6 Jadigenhalli (Karnataka)	1163	1488	27 9
7 Kalur (Karnataka)	572	754	31 8
8 Bilaspur (Haryana)	557	767	47 7
9 Rupal (Gujarat)	1710	2578	50 3
10 Rohata (UP)	7009	10546	50 5
11 Arnawali (UP)	1772	2678	51 1
12 Dakshin Dutta Para (WB)	661	1105	67 2
13 Rohat (Rajasthan)	2459	4280	74 1
14 Kachhona (UP)	2289	4048	76 9
15 Yelwal (Karnataka)	1608	2858	77 7
16 Sunni (UP)	928	1795	93 4
17 Rampura (Rajasthan)	534	1035	93 8
18 Gombhoi (Gujarat)	500	1200	140 0
19 Barajaguli (WB)	1128	4800	325 5
Total	38931	58744	50 9

developments among the masses of the people, the follow up studies have also shown that there has been a rapid increase in the polarisation between privileged classes castes and other sectional interests and the rest of the population It is the interaction of the interests of the increasingly powerful class and castes and other groups and those of the masses of the people which has shaped the pattern of the remarkable social transformation and the remarkable changes in the health behaviour that have been observed in this study

The initial round of the study had revealed extensive prevalence of poverty and human degradation in many of the villages The past fifteen years have shown significant changes In some of the villages the changes are for the better in others it is for the worse However taken as a whole it can be conjectured that the situation has improved despite the rapid increase in the total population

The general conditions in the villages as a whole have certainly registered very significant improvements As pointed out above, there are remarkable improvements in the development and use of communication and transportation systems There is also a very rapid expansion of the government sponsored credit and banking system The public distribution system for providing foodgrains and other essential items at fair prices has also expanded rapidly There has been rapid increase in the use of tractors irrigation pumps and chemical fertilisers Many more villages have been electrified and many more houses have availed of electric connections Notable changes have taken place in terms of water supply nutritional services and housing conditions Marketing facilities have grown and enterprising villagers have availed of the communication and transportation facilities to reach markets far beyond the traditional marketing system they have been using earlier There is also a significant increase in the local economic and employment generating activities of various kinds There is very large increase in the types of goods available in the villages themselves There are also a number of repair shops to service the many modern gadgets and tools that are being used within the villages Establishment of bigger industrial ventures near some of the villages (e g a textile mill or a dairy farm) has spurred economic activities in these villages Increasing affluence of some of the villagers has also created a larger market for entertainment establishments such as cinema and theatres

Another remarkable change is in the form of rapid expansion of the rural health service system From the earlier pattern of having one primary health centre and ten sub centres for a population of 1,00 000, there is now one primary health centre for a population of 30,000 and a sub centre with a male and female worker for a population of 5,000 with the old primary health centre being redesignated as the community/block health centre The latter is expected to have a bed strength of 25 30, with specialists in four clinical areas A still more remarkable feature of this process of expansion was the government commitment, in the wake of the political upheaval in 1977 to entrust people's health in people's hands by allowing them to choose a community health worker (CHV) from among the villagers themselves for every 1 000 population so that the villagers can acquire the power to cope with their own health problem as far as possible This scheme visualised that the villagers will use the CHVs to demand assistance from the rest of the health service system when the health problems need competence of a higher order

Many of the above decisions taken more than a decade back have not been implemented in many of the PHCs in the study area Worse still there has been a further sharp decline in the efficiency of the rural health services Corruption among the health workers has become more rampant and blatant

The formation and the functioning of the health services in rural areas very aptly reflect the two opposite forces that are at work in Indian society at large At one end is the increasing democratic aspirations among the masses of the people of the country which have impelled the political leadership to concede more and more resources to the rural sector At the other extreme is the class character of the political and administrative decision makers which is responsible for the sharp deterioration in the quality of the services provided When seen against the nature of the power structure in the study villages [Banerji 1982] it was quite apparent that people's health could not be placed in people's hands as the community health workers chosen by the village community do not reflect the aspirations of the rural people least of all those of the poor and the oppressed

Along with the widespread cultural social, political and economic changes that have taken place in the study villages there has been a very significant change in the health behaviour of the population Felt needs among the people for getting (allopathic) medical services to alleviate the suffering caused by the various health problems has now increased even more rapidly This has generated greater demands for more and more medical care services The lack of response from the government health agencies to meet the needs and demands of the people has created a 'market' for the private sector One very remarkable feature of the transformation that has taken place in the study villages is the proliferation of the medical services of different kinds There is a very large increase in the number of chemist shops A large number of MBBS doctors have opened their office cum medicine shops in villages Various diagnostic services are now available in some villages There is also expansion of the rudimentary nursing home facilities observed earlier Over and above, when the 'market' is not found adequate for the more 'skilled' health personnel and institutions, there has been expansion of the RMPs

It was observed that even though those who could get the money spent heavily to seek medical services from the private sector both within the village and outside, the results have not been very satisfactory This was very clearly exemplified by the cases of tuberculosis in the study villages A felt need oriented national tuberculosis programme has been in operation in the country since the early sixties [Banerji 1971] However, it was observed that the programme was not being implemented adequately in any of the eleven PHCs studied In fact, the programme has suffered because of the decline in the quality of the services over the period One consequence of this decline is the creation of market in the private sector The private sector has gleefully 'caught' the tuberculosis cases and extracted money from the victims for various therapeutic and diagnostic services which are often neither scientifically justifiable nor ethically sound The unfortunate victims are left to their fate once they exhausted all sources of getting the money to meet the heavy expenses for their treatment The result of this state of affairs is that during the last visit of the study villages it was observed that there were a large number of incompletely treated tuberculosis cases who could no longer afford to continue to pay for their treatment [Banerji 1988] Similar observations have been recorded by Mankodi and van der Veen [1985] Jadhav [1988] and Qadeer [1988]

Thus while there has been a steep increase in the felt need and demand for medical care services within the study population these have not been adequately catered to either by the government health institutions or by the private sector This situation is extremely unstable

SUMMARY AND CONCLUSIONS

The studies on health behaviour conducted by cultural anthropologists in the fifties and sixties suffered from serious conceptual as well as methodological shortcomings They considered health behaviour of rural populations in isolation A similar approach was adopted in presenting and analysing the cultural meaning and cultural perception of health problems by villagers Methodologically the approach to data collection suffered from profound ethnocentric bias The efforts to develop an integrated methodological approach to study health behaviour was also not adequate These studies created conditions under which the victims were blamed for their predicament

An alternative conceptual framework, which underlined close interaction of health behaviour with cultural perception and meaning and access to health services has been developed to make a more objective study of health behaviour among rural population in India This cultural complex becomes an integral part of overall culture

of the population It is also subjected to cultural diffusion and purposive intervention from outside The concept of felt need among people for alleviation of suffering caused by various health problems is an outcome of adoption of this alternative approach

A methodological perspective has been developed to use the alternative approach to carry out social science studies for formulating India's national tuberculosis programme Following this series of studies a much wider supply of health behaviour in nineteen villages in eight states was initiated in 1972 These villages were followed up repeatedly, with the last visit taking place in 1987-88 The study of the villages over a span of about fifteen years provided a range of information concerning rural social cultural and economic transformation and change of health behaviour It was observed that there is a close correlation between the two and change of health behaviour can be considered as one of the indices of the degree of rural transformation

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Growth in Manufacturing Output since 1980

Some Preliminary Findings

R Nagaraj

This note describes trends in the growth of gross value added in the manufacturing sector using mainly National Accounts Statistics, 1989 *and reports findings of a comparison of the observed trends in the eighties with the experience of the previous three decades. The results of this statistical exercise appear to be significant in the context of the doubts expressed on the validity of the revised index of industrial production (with 1980-81 as the base year) and the continuing debate on the persistence of a relative stagnation or deceleration since the mid-sixties.*

TRENDS in the growth of the manufacturing sector in India have been a much debated issue for quite sometime now. Ahluwalia's statistical exercise conclusively demonstrated the relatively slower growth of the registered manufacturing net value added at constant prices between 1966-67 and 1979-80 as compared to the earlier seven-year period of 1959-60 to 1965-66 [Ahluwalia 1985]. She added that "there was no difference in results whether the period analysed is up to 1979-80 or includes the first two years of the eighties to end in 1981-82" implying continuation of the relative stagnation.

Before her decisive statistical account was published, Raj's graphical analysis of smoothened time series of *total* manufacturing gross value added for the period 1952-53 to 1982-83 questioned the persistence of the relative stagnation or deceleration [Raj 1984]. He advanced the view that even though one cannot yet firmly support it with adequate statistical evidence (in fact not perhaps for another decade till sufficiently long time series is available) there has been possibly some increase in the rate of growth of industrial output since the middle of the 1970s, raising it closer to the levels achieved in the 1950s and 1960s [Raj 1984, p 1802].

Drawing a different periodisation on the basis of a certain understanding of policy regimes, Alagh [1985] arrived at a similar conclusion. Even ignoring the unregistered manufacturing sector, industrial output in India grew at a rate of 7.6 per cent per annum for the period 1976-77 onwards compared to 4.6 per cent per annum in the period 1971-76.

Arguing that the improved industrial performance (secured as a result of the policy initiatives since 1980) is not getting fully reflected in the index of industrial production [IIP][1] *Economic Survey 1985-86* provided data to support its view (Table 1). It showed that during 1974-75 to 1982-83 the output growth in real terms was 8.0 per cent per annum according to *Annual Survey of Industries* [ASI] whereas IIP recorded a growth rate of only 4.4 per cent.[2]

To overcome the shortcomings of the IIP (with 1970-71 as base year) a revised (or new) index with 1980-81 as the base year was introduced. The revised index, showing a distinctly higher growth rate in the eighties, is widely criticised for the alleged over estimation of output due to arbitrary replacement of supposedly slow growing industries with faster growing ones [Chandrasekhar 1988 and Kurian 1989]. However, despite the skepticism over the validity of the new IIP, there now appear to be a cautious admission of a moderate improvement, though it is not strong enough to change the long term trend of relative stagnation in industrial output observed since the mid-sixties: "the most recent trend rate is still well short of the expansion seen in the first decade and a half after the launch of planned development" [Chandrasekhar 1988, p 2489].

In this context, especially as various doubts have been expressed on the future of the revised IIP, there appear to be a need to assess the trends in the eighties with possibly more reliable and recent data. A modest attempt at such an exercise is now possible with the availability of *National Accounts Statistics (NAS) 1989*. This note describes trends in the manufacturing sector in the eighties and compares them with the performance in the earlier periods. Though our exercise has a limited purpose of reporting the findings which seem to merit attention, the observed changes in the eighties could have implications for the long term trends in industrial output.

I

NAS 1989, the second issue with new series with 1980-81 as base year, provides data on gross value added at constant prices separately for both registered and unregistered manufacturing disaggregated at two digit National Industrial Classification (NIC). Estimates on registered manufacturing, like in the earlier series, is based on ASI data though with a changed base year. Estimates for the unregistered manufacturing have been revised on the basis of production of cloth in the decentralised sector and changes in the bench mark estimates using NSSO data [CSO 1988]. Considering that the estimation procedures have remained by and large the same, the revised series can perhaps be taken to be reasonably satisfactory for analysing broad trends in the manufacturing sector.[3]

Taking these remarks into consideration, we find a significant difference in the estimates of gross value added in the new series. The share of unregistered segment in the total manufacturing, which came down from 48 per cent in 1953 to 37 per cent in 1979-80 (according to the 1970-71 series), increased to 43 per cent in 1980-81 in the revised series. However, it has declined since then (Figure 1).

A comparison of the share of unregistered manufacturing to the total at 1970-71 prices and 1980-81 prices for the year 1980-81 shows (Table 2) that the upward revision in the new series is mainly on account of industry groups beverages and tobacco (22)[4] and textiles (23-26). Decline in the share of unregistered manufacturing is discernible in industry groups food (20-21), paper and printing (28), leather and fur (29), rubber and petroleum (30), non metallic minerals (32), transport equipment (37) and others (38).

Table 3 provides trend compound growth rate and annual average growth rate for total, registered and unregistered manufacturing. The results show that during 1980-81 to 1986-87 total (registered plus unregistered) manufacturing gross value added at constant prices grew at 8.3 per cent per annum. While the registered segment of manufacturing recorded a growth rate of 10.4 per cent per annum, the unregistered segment increased at 5.3 per cent per annum. A similar trend is noticeable according to the measure of annual average rate also.

Total manufacturing gross value added grew at a faster rate than average growth rate in industry groups rubber and petroleum (30), chemicals (31), non metallic minerals

TABLE 1: INDICES OF INDUSTRIAL PRODUCTION (Base 1973-74 = 100)

Year	Based on	
	Index of Industrial Production	Annual Survey of Industries
1974-75	101.8	105.0
1975-76	106.6	115.8
1976-77	117.4	127.6
1977-78	122.8	140.6
1978-79	132.1	156.5
1979-80	128.8	156.9
1980-81	133.6	159.0
1981-82	143.6	176.1
1982-83	147.1	199.1
Growth Rate	4.4	8.0

Source: Economic Survey 1985-86

(32) non electrical machinery (35) electrical machinery (36) others (38) and repair services (39). Beverages and tobacco (22) recorded the lowest positive growth while wood and furniture (2) experienced a negative growth. Unregistered manufactur-

TABLE 2: RELATIVE SHARE OF UNREGISTERED MANUFACTURE IN 1970-71 AND 1980-81 EITHER FOR DISAGGREGATED INDUSTRY GROUP

(Per Cent)

NIC Code	Industry Group	Share of Unregistered Manufacturing in 1980-81 at 1970-71 Price	1980-81 Price
20-21	Food products	48.5	45.8
22	Beverages tobacco etc	59.4	65.2
23-26	Textiles	42.0	67.7
27	Wood furniture etc	59.7	59.3
28	Paper and Printing etc	36.3	34.7
29	Leather and fur products	82.2	80.6
30	Rubber petroleum etc	16.7	12.4
31	Chemicals etc	13.6	17.3
32	Non metallic mineral products	54.0	51.0
33	Basic metal industries	1.4	*1.2
34	Metal products	55.3	54
35	Non elec machinery	23.1	22
36	Electrical machinery	13.5	13.4
37	Transport equipment	19.0	17.4
38	Other manufacturing	53.6	50.6
39	Repairing services	68.7	68.7
	Total gross value added	37.6	42.9

Source *NAS* (1987) and *NAS* (1989)

TABLE 4: GROWTH OF MANUFACTURING OUTPUT ACCORDING TO USE BASED CLASSIFICATION (USING REVISED IIP) 1980-81 TO 1986-87

Industry Group	Weight	Compared Annual Average Growth Rate (in per cent)
1 Basic goods	39.42	8.1
2 Capital goods	16.43	10.0
3 Intermediate goods	20.51	5.8
4 Consumer goods	23.65	6.9
(a) Consumer durables	2.55	14.7
(b) Consumer non-durables	21.10	5.7

Source: Economic Survey 1988-89

ing grew at a lower rate than the registered in all industry groups excepting in textiles (23-26). Comparison between the growth rates according to NAS *1989* and the revised IIP for manufacturing shows that the output increase by the latter measure is not only lower (6.7 per cent per annum) than that of the registered manufacturing (at 10.4 per cent per annum) but also of the total manufacturing (at 5.3 per cent per annum). This appears to be significant in the context of the serious doubts expressed over the ac-

TABLE 3: GROWTH RATE OF MANUFACTURING OUTPUT 1980-81 TO 1986-87

(Per Cent)

NIC Code	Industry Group	Trend Compound Growth: Registered	Unregistered	Total Manufacturing	Annual Average Growth Rate $\frac{(x_1 - x_0)}{x_0} \times 100$ / Total Manufacturing
20-21	Food products	13.1 (0.82)	3.2 (0.63)	9.2 (0.85)	9.6
22	Beverages tobacco etc	9.9 (0.52)	0.5 (0.11)*	3.3 (0.37)*	3.2
23-26	textiles	3.3 (0.66)	5.8 (0.9)	4.9 (0.94)	4.6
27	Wood furniture etc	6.1 (0.84)	1.1 (0.90)	3.0 (0.88)	1.8
28	Paper and Printing etc	9.5 (0.90)	5.7 (0.89)	9.2 (0.90)	6.0
29	Leather and fur products	16.6 (0.99)	3.2 (0.96)	6.5 (0.98)	6.4
30	Rubber petroleum etc	12.3 (0.82)	7.5 (0.81)	11.6 (0.88)	11.2
31	Chemicals etc	11.1 (0.97)	5.2 (0.96)	10.8 (0.98)	11.4
32	Non metallic mineral products	16.2 (0.97)	2.1 (0.80)	9.9 (0.98)	9.3
33	Basic metal industries	4.1 (0.77)	4.9 (0.41)*	3.9 (0.79)	4.9
34	Metal products	6.8 (0.94)	4.9 (0.63)	5.7 (0.93)	6.1
35	Non elec machinery	10.3 (0.97)	5.5 (0.97)	9.3 (0.98)	8.9
36	Electrical machinery	20.6 (0.96)	16.9 (0.94)	20.1 (0.96)	20.2
37	Transport equipment	9.1 (0.97)	6.4 (0.99)	8.6 (0.97)	8.8
38	Other manufacturing	20.6 (0.99)	9.0 (0.40)*	18.0 (0.88)	19.6
39	Repair services	13.3 (0.98)	9.9 (0.97)	11.0 (0.98)	11.0
	Total gross value added	10.4 (0.99)	5.3 (0.96)	8.3 (0.99)	8.4

Notes Figures in bracket refer to R
* Statistically not different from zero even at 90 per cent significance
Source NAS (1989)

TABLE 5: GROWTH RATES IN GROSS NET VALUE ADDED IN REGISTERED MANUFACTURING IN DIFFERENT SUB PERIOD AT DISAGGREGATED LEVEL

(Per Cent)

Industry Group	Period I (1959-60 to 1965-66)	Period II (1966-67 to 1979-80)	Period III (1980-81 to 1986-87)
1 Food products	0.7*	3.5	13.1
2 Beverages	9.3	7.3	9.9
3 Tobacco etc	1.5*	1.3	
4 Textiles	3.9	4.4	3.3
5 Footwear etc	15.3	14.5	16.6
6 Leather and fur products	0.5*	3.1	
7 Wood and cork	1.1	5.4	6.1
8 Furniture and fixtures	11.7	6.3	
9 Paper and paper product	11.4	7.3	9.5
10 Printing and publishing	6.8	1.7	
11 Rubber products	4.6	4.2	12.3
12 Petroleum products	5.9	6.2	
13 Chemicals and chemical product	10.7	9.1	11.1
14 Non metallic mineral products	7.0	3.0	16.2
15 Basic metal	15.0	5.1	4.1
16 Metal products	12.0	2.5	6.8
17 Non elec machinery	17.9	7.5	10.3
18 Electrical machinery	14.7	9.8	20.6
19 Transport equipment	10.3	4.6	9.1
20 Miscellaneous	14.2	4.5	20.6
21 Repair services			13.3
Total gross/net value added	7.6	5.5	10.4

Notes Figures in brackets refer to R^2
* Statistically not different from zero even at 90 per cent significance
Sources (1) Ahluwalia (1985) pp 30-31, (2) *National Accounts Statistics (1989)*

FIGURE 1 SHARE OF UNREGISTERED MANUFACTURING
(Year 1950-51 to 1986-87)

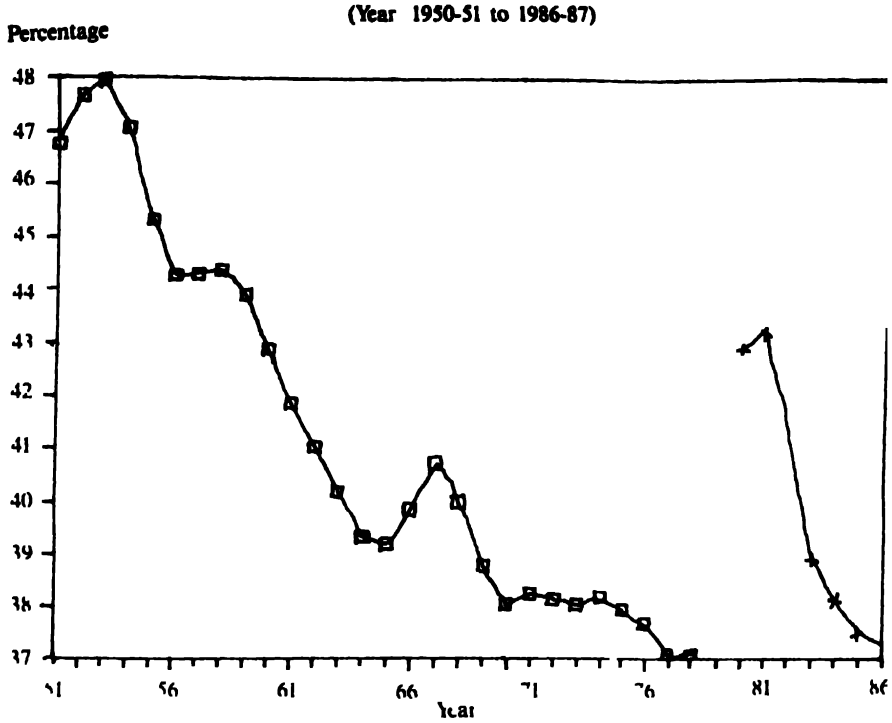
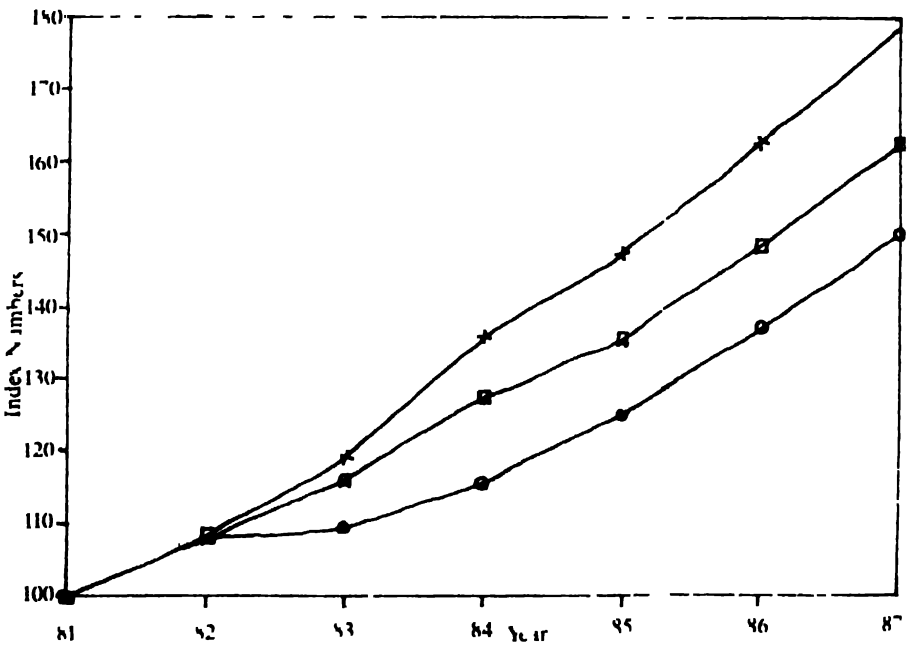


FIGURE 2 TRENDS IN MANUFACTURING OUTPUT
(Year 1980 81 to 1986 87)



curacy of the revised IIP As the observed higher growth rate according to *NAS* compared to IIP is similar to the pattern observed for the earlier periods by Ahluwalia, the arguments of overestimation of output by IIP do not appear to be tenable If we accept that the trends depicted by the IIP is broadly correct, though on a conservative side (Figure 2), then it may not be inappropriate to utilise the IIP to discern some patterns in the observed growth in the eighties

Use based classification of the revised IIP for the period 1980 81 to 1986-87 shows that consumer durables accounting for 2 55 per cent of manufacturing grew the fastest at 14 7 per cent annum[8] followed by capital goods (weightage 16 4) at 10 per cent per annum (Table 4)

II

Having described the growth of manufacturing sector in the eighties in a few limited dimensions, we compare them with the record of the earlier periods though such an attempt has a number of limitations First, comparison of results based on a short time period of seven years with long term trends could yield misleading results Secondly, as the data for different time periods are based on different base years a strict comparison is not possible. Thirdly as there have been changes in the industrial classification a rigorous comparison would require more disaggregated data Considering these limitations our exercise could at best be taken as an indication of the broad changes To accommodate for the statistical problems mentioned above variation in growth rate in different periods up to two percentage points are not taken into account [9]

Our preliminary attempt could perhaps be justified despite being fully aware of the shortcomings since it appears to us to be important to have such a comparative empirical basis to assess the changes in the policy regime in the eighties

Table 5 provides growth rates in value added[10] in registered manufacturing for three time periods namely 1959 60 to 1965 66 (period I) 1966 67 to 1979 80 (period II) and 1980 81 to 1986 87 (period III) [11] Growth rate in registered manufacturing in period III at 10 4 per cent per annum is not only higher than that attained in period II (at 5 5 per cent) but also that in period I (at 7 6 per cent) Growth rate at the disaggregated level in period II is lower than that in period III (after applying a discount of two percentage points) in all industry groups except textiles (23 26), wood and furniture (27) and basic metals (33) A similar comparison between period I and period III shows that the following industry groups constituting about two fifths of the value added (in 1986 87) experienced a higher growth rate in the latter period as compared to the former food products (20 21) leather products (29) rubber and petroleum (30) non metallic mineral products (32) electrical machinery (36) and miscellaneous (38)

The above findings indicate that the observed expansion of registered manufacturing output in the first seven years in the eighties appear to be comparable if not bet

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Table A

	51-55	55-60	60-65	65-70	70-75	75-79	81-87
Basic goods	3.8	12.0	10.5	6.3	5.2	6.6	8.1
Capital goods	15.1	13.7	19.[illegible]	[illegible]	[illegible]	5.9	10.0
I goods	6.4	6.7	0.[illegible]		[illegible]	5.3	5.8
DC goods	12.3	25.5	10.8	[illegible]	[illegible]	8.5	14.7
NDC goods	3.[illegible]	3.8	[illegible]	[illegible]	[illegible]	5.3	[illegible]

Notes I goods Intermediate goods
DC goods Durable consumer goods
NDC goods Non durable consumer goods
Source Dutta (1981) *Economic Survey* 1988-89

[illegible] ter than the [illegible] period, according to [illegible] widely accepted [illegible]

To sum up, [illegible] debate on the [illegible] manufacturing [illegible] trends in the [illegible] official view of [illegible] based on [illegible] production [illegible] it appropriate to summarise the [illegible] data provided in [illegible] *Statistics* 198[illegible] On the basis of these [illegible] the total manufacturing [illegible] grew at over [illegible] per annum [illegible] terms during 1981-[illegible] the [illegible] manufacturing [illegible] of over ten per cent per annum. [illegible] to the new [illegible] unregistered manufacturing [illegible] mainly on [illegible] output in the service [illegible] and textile (31-36) industries. However, [illegible] growth of [illegible] considerably lower than that [illegible] sector. In terms of [illegible] for the revised IIP [illegible] industries having a weight [illegible] than the per cent [illegible] growth rate of over 14 per cent per annum followed by capital goods industries at 10 per cent per annum.

A useful comparison [illegible] attempt has several limitations [illegible] perience of the eighties with those of the earlier periods for [illegible] manufacturing (even the discussion of growth rate of two per cent is point to note) [illegible] for the statistical adjustments [illegible] that the growth rate between 1980-81 and 1986-87 [illegible] higher than that during 1966-67 to 1979-80. It also seems to be comparable to, if not better than, the growth rate achieved during 1959-60 to 1965-66. The [illegible] pattern seems to be true for a wide range of industry groups accounting for about two-fifths of the registered manufacturing output. If our findings based on limited data and rudimentary statistical methods are valid then the observed changes in the eighties would warrant a closer examination [illegible] understand their underlying causes.

Notes

[I am grateful to Sebastian Morris, G Pakki Reddy, K Das, Sunita Marthy and K Narasimha [illegible]

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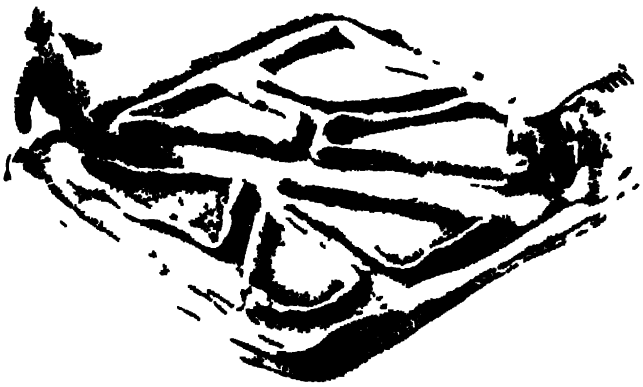

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More than four decades after its creation Pakistan is still a country in search of an identity Not that the people of Pakistan have not been preoccupied with the issue of nationhood, on the contrary, it is the one issue they have been obsessed with Political debate and conflict have revolved around the question What is the legitimate place of sub national aspirations and demands within the larger concept of Pakistani nationhood? 1527

Over-laxed?

Is the exemption limit for personal income tax high or low in India as compared to that in other countries? A study of the relationship between personal income tax exemption limit and per capita income in 26 countries 1535

Tribal Politics

A new insurgent group, the Tribal National Liberation Front has surfaced in Tripura barely 10 months after the surrender of the TNV extremists Is this new insurgent group a creation of the Congress(I) led coalition government in the state to create conditions for using the armed forces to weed out the CPI(M) from the tribal dominated areas of Tripura? 1501

Land has been closely associated historically with the political struggle in Jharkhand and this connection has continued up to the present day The building of an agrarian movement is therefore essential for strengthening the current phase of the Jharkhand movement 1505

No Mystery

In March April this year over 200 tribals died in the tribal districts of Bihar of what the government described as a mystery disease However to those familiar with the tribal areas of Bihar and with the conditions in which the tribals live the outbreak of the epidemic was hardly a surprise nor its cause a mystery 1503

Revolutions Made and Unmade

Bastille gave acceptability to the concept of the revolution Revolutions the point was established are not outside the human system Once this is accepted Bastille falls into place without it there would be no storming of the winter palace no Long March nor the magic of Dien Bien Phu or Sierra Maestra 1499

The ultimate tragedy in the events of June 4 and thereafter in China may be to preserve the notion comfortable to those currently in power – that economic progress without political reform is possible 1511

The democracy movement or counter revolutionary rebellion in China whatever name one may choose to describe it—lends a new perspective to India's political development as a nation state in the last 40 odd years All the more so because India and China launched their respective careers as sovereign states at about the same time 1497

Long Journey

The processes by which the women workers in the so called production cum training centres run by the Delhi administration are being made into refugees for the second time in their lives are but a reflection of the larger trends at work in the country's economy and polity A report 1507

LETTERS TO EDITOR

Jute Woes

APROPOS the note 'Saviour from Dundee' (June 3) the fall of the jute industry in West Bengal has been largely due to the pro labour anti farmer policy of the state as well as of the central government. The idea behind declaring jute as an essential commodity was simply to deprive farmers of and when prices were hiked by fixing maximum prices and by forcing them to sell to the government agencies or the people having stories licences at the so called minimum prices. It was gross injustice to jute growers to declare jute an essential commodity. Again the jute industry was forced to fall sick by labour unions under protection of political bosses so that they could be taken over by the government and labour could lead a luxurious life without commitment to production. This brought a sense of fear among entrepreneurs. Naturally if one is not sure of the industry one would only syphon the gains and keep it sick so that it can be handed over as a sick child to the government. One does not repair one's house if one knows that it shall be requisitioned by the government and that is what happened in the jute industry.

It is only recently that jute has been dropped from the list of essential commodities and the central government is showing less enthusiasm in taking over units. So new entrepreneurs are coming forward and closed jute mills have started opening. While the protection provided to the industry under Jute Packaging Materials (Compulsory Usage) Act 1987 cannot be taken as permanent it should be used to strengthen the industry's position.

Advisers to the industry feel that the 72 jute mills cannot carry the burden of 2.4 lakh workers and so they should be retrenched. But then retrenchment of the labour cannot be acceptable to the country when millions of people are awaiting employment. Again retrenchment is only possible by automation which again will need huge funds which the ailing industry would not be able to bear if it fails to divert its production to jute based products like carpets, carpet backing, furnishing fabrics, jute felt, paper making, laminated boards for packing fruits, tea etc. Efforts should also be made to install new import substitute plants so that while these new products absorb the extra labour they also make more profit to help the survival of the mother unit.

Effort is also needed to make the raw jute cheaper so that jute products can compete with modern packaging material in the market. The major cost input in raw jute is of fertiliser. Chemical fertilisers are being propagated as boon to the farmers but in reality this is not so. For example, while fertiliser consumption has increased by more than seven times food production has only doubled. Again compost fertiliser is very cheap but since the population of animals has fallen it is now scarce and more so in the states where cattle slaughtering is permitted.

The central government should come forward and offer higher cash incentives to agro based jute industry to help the farmers so that surplus jute production can be exported. Again the fact remains that the western world has realised that jute packing for foodgrains from human health point of view is better than the polythene. A little publicity on the advantages of jute bags should help increase our exports. Jute goods should be exempted from sales tax so that farmers find it cheaper and prefer to use new bags instead of old bags. Again jute mills should also arrange to buy old bags for reprocessing which shall help the consumer in reducing his purchase cost.

We do not need either foreign funds to promote industry or foreign expertise or entrepreneurs. We simply need to feel proud of our Bharat and its culture and the development of our villages. Once this is done we can always create an industrial empire.

PANNALAL MUNDHRA

Calcutta

Tricky Issues

YOUR editorial 'The Imports Trap' (May 13) raises very tricky issues though not for the first time. The dichotomy of approaches to the compilation of exim data by the DGCI and S and RBI has created several problems regarding the analysis of such data and the adoption of suitable and sensitive policy measures. The point at issue is not who is correct but how promptly does one get which brand of data.

There is no doubt as it has been officially explained that the data furnished by RBI are partial and include foreign exchange transactions both related to early and later periods, and even such data are made available only one year after the transactions have taken place. A spate of explanations and arguments ensued on your pointer, while both *Economic Weekly* and *Economic and Political Weekly* raised similar questions almost three decades back.

Such problems are not only related to the exim data but also those on company finance. While the credibility of the analysis of the RBI has gained over time the problem of misclassification has also gathered momentum. Apart from the fact that data made available by the RBI have invariably a lag of one, two or even more years. Since large scale computerisation has been attempted in both government and government related agencies it is high time that vital information on the performance of the economy was made available immediately after the year ended.

In the meantime, whenever there is a shortfall on targets the government drums up many explanations. At times in the absence of accurate information even the government does not know whether a shortfall has actually taken place or not and if so by how much. This is a pity. On the other hand as it has happened with exports the twenty nine per cent increase in exports has received a lot more publicity than a similar if not a higher rate of rise in imports.

P CHATTERJEE

Calcutta

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ECONOMIC AND POLITICAL WEEKLY

Women's Health

THE fog surrounding the picture of women's health is beginning to disperse but ever so slowly For centuries medicine and the health establishment have viewed women only as mothers or mothers to-be women's illnesses have been recognised only when they have affected their reproductive capabilities So much so that it has been assumed that women are just as ill or just as well as men except, that is for their reproductive functions Such an impression firstly ignores the fact that women's social status determines women's health status Secondly the nature of health care provided to women is determined by these assumptions that is it is geared towards offering special services only for conditions surrounding maternity or its prevention This in turn has the effect of making visible only those conditions which the health establishment is geared to recognise and treat conditions which incidentally are the ones sanctioned and accepted in society as ill health events

The findings of two recent studies incorporating critical and feminist perspectives have considerably shaken this complacence about women's health They have also posed uncomfortable questions about the unbiased nature of medical science and its practice and about the very political nature of women's health status And ironically they show that the medical establishment has grossly underestimated the extent of even that aspect of women's health which it professes to be concerned about viz reproductive health

A population based study of gynaecological and sexual diseases in rural women in Gadchiroli district of Maharashtra is an eye opener in more ways than one To begin with it is the first such study in developing countries, which means that until now health planners and medical practitioners have been in a sense working blind The study by Rani Bang and others (reported in *The Lancet* of January 14 1989) shows that 92 per cent of all women surveyed were found to have one or more gynaecological or sexual diseases and on an average each woman was suffering from 3 6 separate complaints About half the burden of illness comprised infections such as pelvic inflammatory disease, vaginitis, cervicitis etc Another major group was menstrual disorders which may well have been due to genital tract infection And yet only eight per cent of the women had ever had a gynaecological examination

What this means in lay terms is that more than fifty per cent of the women are suffering from illnesses which they have learned to ignore not because these do not cause discomfort but because of various social factors It must be pointed out here that these are not self-limiting conditions which will right themselves with time They merely get worse and ultimately severely affect women's health A society with dominant patriarchal values does not sanction these conditions as illnesses unless they become severe enough to affect the reproductive capabilities And even if women did wish to get these conditions cured they have little or no access to a modern health care system Health workers and nurses are not trained to deal with gynaecological diseases, and women doctors are conspicuous by their absence in rural areas This means that but for surveys like this the health system is not even aware of the extent of such illnesses This can have serious implications for women's health care For instance this baseline burden of gynaecological illness may give rise to or aggravate problems caused by birth control methods such as IUDs If this is indeed so, then at least a proportion of the women may be missing out on an efficient and comparatively safe birth control method because of the neglect of women's health condition

Another interesting aspect of the study reveals how many illnesses are not reported because women have internalised these—as being a consequence of 'being a woman' One such condition is pain during menstruation which may be a symptom of serious problems and yet is rarely perceived as being an abnormal condition which should be reported

It is this aspect that the study by Veena Shatrugna and others for the National Commission on Self Employed Women's Task Force on Health draws attention to in examining backpain in women This condition, so common among women only figures in medical complaints in association with other major symptoms or when it is severe enough to interfere with women's work Significantly here again is one condition which is so greatly influenced by the work which is assigned to women and the kind of postures they are forced to adopt because society demands it The study looks at women admitted to hospitals for fractures and finds that a condition like osteoporosis which has been labelled a physiological condition (caused by chronic calcium deficiency) associated with the onset of old age is in fact influenced by the social location of women

In short not only is health status determined by social location but its visible contours are dictated by social norms and assumptions In patriarchal class society any attempt to improve the health status of women has not only to contend with the depressed status of women in society, but must question the very definitions of women's illness prevalent in society and reflected and reinforced by medical science A primary and urgent task is to assess women's health status from a feminist perspective which in the first place questions existing medical definitions, assumptions and health statistics

DEFENCE

The US Connection

THE government of India's official press release on the eve of defence minister K C Pant's visit to the US towards the end of last month stated with deliberate intent to mislead that the minister would have wide ranging discussions with the US administration on global and regional security issues. Actually the purpose of Pant's visit was very very precise and specific to discuss purchases of arms and defence technology from the US.

The US, it is well known, has been determinedly pursuing the objective of securing for itself a bigger share of India's large and rapidly growing arms purchases abroad. Thus the Indian defence minister's trip was by way of returning not one but two visits to this country by US secretaries of defence, those of Caspar Weinberger in 1986 and Frank Carlucci in 1988. This is not the sort of asymmetry that one ordinarily encounters in relations between the world's leading superpower and a third world country.

No wonder the red carpet was rolled out for the Indian defence minister in Washington. He rated an audience with the US vice president, but what seems to have impressed him the most is that he was taken round some top secret US military establishments which, as he put it, even the very senior military officers accompanying him were visiting for the first time. Pant's hosts in the Pentagon evidently decided also not to give cause for any diversion of attention from the main purpose of the Indian defence minister's presence in the US by unnecessarily bringing up issues on which the perceptions of the Indian and US governments are at variance. Thus references to the Indian nuclear programme, the testing of the Agni missile and the future of the IPKF in Sri Lanka were perfunctory, if they were made at all. On the contrary, the Indian defence minister was assured that the US was convinced that India's role was leading to the stabilisation of the south Asian region and that the US was appreciative of India's role in helping its neighbours in overcoming their problems.

The Indian government still plays coy about its defence contacts with the US, the two visits to this country by US secretaries of defence and the quite frequent exchange of defence delegations in recent years notwithstanding. The defence minister was therefore at pains to point out that he had not gone to the US with a shopping list. The Indian government's public position has been that what it is interested in really is sophisticated US defence and defence-related technology which is essential for the Indian defence forces modernisation programme. Some of the specific items which, according to newspaper reports, figured in the defence minister's discussions in Washington do, it is true, fall in this category—for example, some systems and materials for our light combat aircraft programme or certain areas of underwater warfare technology. All the same, some important issues do arise.

There is, first of all, the likely impact of taking recourse to US technology on the development of Indian technology, including on efforts already under way in that direction. In the specific instance of the light combat aircraft, serious apprehensions have been voiced about the consequences of the continuous expansion of the scope afforded for imported technology in this project, which process has evidently been now given a strong fillip by Pant's US visit.

Secondly, the US government's determined initiatives to develop and strengthen relations with India in the area of defence cannot obviously have been motivated, solely or primarily, by the objective of making available sophisticated defence technology to India to speed India's military modernisation along. What the Americans are interested in clearly is a larger share of India's defence imports, and so whatever advanced military technology India is able to get from the US will be conditional upon our significantly stepping up military purchases from the US. Whether or not the Indian defence minister went to Washington with a shopping list, very soon India is certain to be shopping for arms in the US in a big way. The implications of this for the size of our overall military spending and for the annual foreign exchange drain on account of military imports, already nearing alarming proportions, deserve close attention.

Finally, the US has also made it clear that the sophisticated technologies which India is seeking from the US can be made available to it only if there is close contact and exchanges on a continuing basis between the defence establishments of the two countries. The Indian defence minister himself has confirmed that in this regard the US went so far as to suggest joint exercises by the US and Indian navies. While Pant said he had ruled out such exercises "for the time being", it is clear that the door has been unbolted for US involvement in Indian defence matters and the bait of advanced defence technology is undoubtedly going to be used to push it open wider.

ANDHRA PRADESH

Another Charade

ALL signs point to the enactment of yet another charade in Andhra Pradesh with the fanfare and publicity accompanying official announcements of the surrender of Naxalites being quite in keeping with the cinematic tastes of N T Rama Rao. Whether the surrenders represent an end to the twentyone year old war between the police and the Naxalites in the state is a question that merits close scrutiny.

Upto now the number of surrenders in response to the chief minister's ultimatum and inducements has been in the region of 70 to 80 at the most. This may not significantly affect the current operational strength of the Naxalite groups since many of those who have surrendered were anyway in police custody. Likewise the much touted blow to the People's War Group due to the surrender of M Subbareddy, a top party functionary, may turn out to be more imaginary than real, if reports of his differences with the party leadership are to be believed. If true, his decision to surrender rather than form a splinter group is perhaps indicative of his isolation within the party. Consequently, the developments of the past month need not be expected to drastically reduce the scale of Naxalite activities.

On the contrary, there has been a resurgence of activism among the Naxalites for fear that the surrenders may be used as a means to demoralise the ranks. Consequently, scepticism regarding the efficacy of the state government's latest tactic will not be unjustified, for it is difficult to envisage the dismantling of a movement with reasonable grassroots support through the mere offer of monetary and other incentives to underground activists. The politics of ideology is substantially different from the politics of legislative horse trading and populist electioneering.

The inability of successive governments to deal effectively with the situation is a reflection of the persistent tendency to treat critical socio economic anomalies as mere crises of law and order. The centre's response is informed by the political opportunism that is characteristic of the Congress(I). While the prime minister is vociferous in denouncing the law and order problems in Andhra Pradesh, the home minister professes inability to respond to the state's demand for arms and security personnel. On the other hand, the state government's handling of the situation is an exercise in inept politics. Keeping one eye trained on the electorate, it seeks to assuage public outrage against the blood letting, while the other eye is solicitous of the landlords' interests. State

government proposals to deal with the Naxalites have been varied and palpably contradictory for these include the liberalisation of fire arms licensing to enable the arming of villagers, the establishing of an elite Greyhound force to annihilate them and the offer of incentives the last named being instrumental in enabling it to preside benignly over surrender meals

The inability to tackle the essential socio economic core of the problem in the seven districts of northern Telengana and north east coastal Andhra Pradesh is not surprising A case in point is the attempt to amend Regulation One of 1970, by engineering a majority in the Tribal Advisory Council The amendment will remove the existing restriction on free sale of land by non tribal landowners to non tribals in the Integrated Tribal Development Agency areas and will have obvious adverse implications for the tribals The move will legitimise illegal holdings of non tribal landlords among whom are senior Telugu Desam party functionaries Being a government move it can only deepen support for the Andhra Pradesh Naxalites in their traditional strongholds

The state government s efforts to provide the tribals with jowar at Rs 1 25 per kg is not likely to have much of an impact since the Naxalites distribute it free On the other hand the solution of violent repression seems to be running into serious difficulties since state instituted violence has begun to invite Naxalite wrath on district level Telugu Desam Party functionaries who have begun to articulate their discontent openly after the recent killing of Malhar Rao the Tadicherla mandal president

INDO PAK RELATIONS

India Must Respond

THE Pakistani prime minister Benazir Bhutto s recent plea in her interview with a Saudi English daily for India Pakistani talks on the question of mutual arms control deserves a warm and positive response from this country She has rightly pleaded that the two countries should discuss the arms issue themselves instead of expressing concern every now and then "Whatever India buys" said she gives a cause for concern in Pakistan and whatever we buy causes concern to India She has further said that Pakistan did not want to upset the arms balance in this region and that whatever had been discussed or negotiated with the US administration during her recent visit to Washington had been in accord with the military balance of three is-to-one

Benazir's pronouncements have earned a measure of credibility through her actions as well as inactions By dismissing the late Pakistani president Zia ul Haq s nominee Lt Gen Gul from the top of the all powerful SIS, reportedly because of his refusal to stop meddling in India's internal affairs, she has shown her concern for a new relationship with this country Similarly by refraining from an active promotion of the aggressive activities of the Mujahid forces based in Pakistan against the Najibullah regime in Kabul she has also notified her disassociation from the adventurist policies of the Pakistani military bosses in that area

It is indeed high time that India responded to the new Pakistani overtures Even more urgent however is India s deceleration of its own militarisation before the more bellicose elements in Pakistan make use of this country s arms purchases to get Benazir s softer approaches reversed It should not be overlooked that India is not only acquiring the image of a regional bully on the international scene what with its present postures in Sri Lanka and Nepal it is also seen both inside the country and outside to be the possessor of the requisite muscle powers for this role Some Indians have been taking pride in the country s role as an emerging superpower while foreign observers even if they are guilty in some cases of a measure of deliberate exaggeration also draw the same conclusion as was recently done by the US journal *Defence and Foreign Affairs*

The 'proud Indians should not forget that a bully in the international arena can grow into that role only by assuming the same role indeed in a more vicious form--within the country Hence it is more in the interest of Indian democracy and equity that New Delhi be persuaded to respond to Islamabad's new signals immediately warmly and positively

CHRISTIAN DALITS

Worsening Discrimination

THE recently held National Convention of Catholics in Bombay assumes importance in the context of the stirrings among the Christian Dalits who form about 80 per cent of the Christian population of the country For nearly 40 years now they have been fighting for recognition as scheduled castes and for the statutory benefits that go with it which are denied under the Presidential Order of 1950 Christian converts from the scheduled castes and tribes are not considered to be under the scheduled category any longer under the order The assumption behind this is that once converted to Christianity, within the fold of the church the scheduled castes and tribes no longer face any economic or social discrimination to deserve special protection from the state

This is however far from the truth Despite talk of universalism of the Christian religion the Christian clergy from the upper caste background who dominate the churches practise the most atrocious forms of discrimination against the Christian Dalits Separate places in pews, separate hearse and burial grounds less than five per cent inter caste marriages, segregated churches caste titles in name boards and in church and secular documents are some of the most blatant forms of discrimination

The casteism of the priests is sanctified by the courts also Some years ago when the Christian Dalits demolished a wall that was set up by the Vellala Christians in Tiruchi to separate the burial grounds of the caste Christians from those of the Christian Dalits the dominant Vellala Christians went to the court and got a verdict in their favour forcing the Dalits to pay a fine Of late the Christian clergy are even resorting to violence to keep the Dalits in their place Among the Catholic fishing folks in Marianad and neighbouring villages in Kerala (where the Trivandrum Social Service Society started the famous community development project for the fishing community) tensions have developed between the better off fishermen and the poor Dalits The former backed by St Andrew parish priests launched an attack on the Christian Dalit fishermen of Fathimapuram last December forcing the latter to go on a hunger strike in front of the house of the Trivandrum Bishop who is the appointing authority of the priests of St Andrews parish

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As the Christian Dalits are becoming more assertive about their rights both as Christians within the community and as a part of the exploited poor outside which make them join the struggles of the agricultural workers or fishermen under the banner of secular organisations the Catholic priests feeling threatened by the challenge to their traditional power are retreating to a fundamentalist position A Pastoral Letter by 26 Catholic bishops of Kerala expresses fear that the church is losing youth to Marxism and attributes the phenomenon to lack of adequate teaching against atheism within the community These bishops are now trying to purge their dioceses of priests who (inspired by the liberation theology in which Marxian analysis is an important component) have been involved in and often have been leading peoples struggles In Kerala these priests in different dioceses are being served notices by the bishops asking them not to exercise their priestly ministry

These developments within the Catholic church in the country bear an eerie resemblance to a common current in other minority religious institutions the tendency often taking a violent form to suppress any attempts at reform or expressions of dissidence that challenge the dominant priestly class The orthodox and powerful Catholic bishopric is perhaps waiting to throw up a counterpart of the Syedna or Imam Bukhari or Bhindranwale Let us not minimise the potentialities of mischief making It was an alliance of the fundamentalist Catholics and the orthodox Nairs which frustrated the reform attempts and brought down the first communist ministry in Kerala in 1959 The centre—on the plea of non interference in the internal affairs of religious institutions—acquiesces in a process which helps the reinforcement of religious obscurantism found to be a ready ally by the unscrupulous landed gentry in the countryside to torpedo social reforms within the communities to suppress struggles for economic reforms by dividing the rural poor on religious and casteist lines and to sustain the *status quo* that allows the co existence of a Green Revolution with religious fundamentalism

ANGOLA

First Step to Peace?

THE 14 year old civil war between the MPLA and UNITA forces in Angola seems to be drawing to a close The announcement of a ceasefire between the forces of Angola's MPLA government and the UNITA rebels on June 22 perhaps marks the beginning of the end of the protracted conflict On that day, the Angolan president Jose Eduardo dos Santos and the UNITA leader Jonas Savimbi shook hands at the summit of 18 African leaders in the northern Zairian city of Gbadolite and agreed to work for a political solution to the conflict

Hopes for a negotiated settlement of Angola's civil war came on the horizon in July last year when Angola Cuba and South Africa agreed on a phased withdrawal of Cuban troops from Angola and South African troops from Namibia This was followed by the declaration of a ceasefire between the three in August In December they agreed on the date (April this year) for the start of the Namibian peace plan and mid 1991 is the final date for the Cuban withdrawal In May this year Angola proposed a peace plan to eight African leaders at the Luanda summit that fuelled the present local African initiative

The 14 year old civil war has been but tressed by the superpowers the Soviets and Cubans backing the MPLA government and the US and South Africa supporting the UNITA rebels To an extent, it is Moscow's review of its strategy in southern Africa that has paved the way for a solution But this has meant crucial compromises for the anti imperialist and anti racist forces For instance as part of the regional package Luanda has requested the ANC to close its guerilla training bases in Angola and Sam Nujoma of SWAPO has to disallow ANC military training bases in Namibia But another important factor making for the breakthrough in southern Africa was the shifting of the military balance against Pretoria as also the fact of the latter no longer being able to militarily intervene on behalf of UNITA

The way is now open for an eventual national reconciliation in Angola though it may be a long difficult and fragile process The Angolan president reacted cautiously to questions about the ceasefire saying that It is a first step But at least we are all acting in good faith While Washington welcomed the accord it reiterated its military support and commitment to supply arms to UNITA

BUSINESS

UTI

Innovative Marketing

THE Unit Trust of India could not have registered a better performance in the eventful silver jubilee year ended June 1989 It has registered further spectacular improvement over its previous years record in every sphere of its operations Aggregate sales of units under all the schemes increased over the year by 84 per cent from Rs 2 059 crore to Rs 3 790 crore The Trust added 9 21 lakh new accounts taking the total to around 50 lakh Investible resources increased by 68 per cent from Rs 6 739 crore to Rs 11 296 crore gross income by 93 per cent from Rs 841 crore to Rs 1 625 crore and reserves and provisions by 107 per cent from Rs 941 crore to Rs 1 950 crore Under direct financial assistance sanctions increased by 53 7 per cent from Rs 1 264 crore to Rs 1 943 crore and disbursements by 34 3 per cent from Rs 807 crore to Rs 1 084 crore

Consequent on the increase in distributable income and in keeping with the corporate objective of providing a reasonable and competitive rate of return to unit holders dividends have been further stepped up for the tenth year in succession The dividend for the main unit scheme (US) 1964 has been raised from 16 5 per cent to 18 per cent, including a one time silver jubilee dividend of one per cent The dividend for Mastershares has also been stepped up to 18 per cent from 13 per cent paid in the previous year The dividend for the unit scheme 1971 is up from 13 5 per cent to 13 75 per cent and that for the capital gains unit scheme 1983 from 9 6 per cent to 9 7 per cent For charitable and registered societies scheme 1981 the dividend has been raised from 14 75 per cent to 15 per cent UTI continues its impressive achievement of releasing its results on the last day of the year and despatching dividend warrants during July This is no doubt a measure of the efficiency of its procedures and systems

The adoption of novel and innovative methods of marketing its increasing number of schemes tailored to suit diverse needs the strengthening and streamlining of marketing strategies and improved customer services are said to have made significant contribution to the uninterrupted growth of UTI The increase in the number of unit holding accounts is interpreted as indicative of the growing popularity of the schemes as well as the effectiveness of innovative marketing efforts

In the absence of break up figures of sales of units under different schemes as also of sales during July—the special offer period—it is difficult to make a proper appraisal of the nature of investor response

It needs to be noted that despite the record 84 per cent increase in aggregate sales, new accounts added during the year numbered 9 21 lakh against 11 16 lakh in the preceding year Far more significant are the UTI chief M J Pherwani's remarks in reply to queries by newsmen that only 15 per cent of the total sales are accounted for by the rural and semi-urban areas and that out of total sales of Rs 3,790 crore (under as many as 29 schemes) nearly Rs 2,000 crore (52 8 per cent) were accounted for by the main unit scheme 1964 and that these sales were divided almost equally among the corporate sector banks and individuals In this context it would be of interest to refer to UTI s last report (1987 88) to make some pertinent observations Out of the total sales of Rs 2 059 crore under 25 different schemes the UTI operated in 1987 88 53 8 per cent were accounted for by just two schemes US 1964 (Rs 859 crore) and CGS 1983 (Rs 248 crore) And what is more significant 82 9 per cent of the total sales under US 1964 were effected in July alone This clearly shows that the inducement of the concessional price during the special offer period (July) has a much greater pull on sales of units than the sustained promotional campaign carried out during the rest of the year

It is common knowledge that both schemes- US 1964 and CGS 1983—have very little to offer to ordinary investors belonging to the non tax paying category by way of annual return and or capital appreciation Even on the basis of purchase effected at the concessional price during July the annual return on US 1964 on a possible dividend of 18 per cent for 1989 90 works out to less than 13 5 per cent and prospects of capital appreciation are virtually nil Unit holders have derived hardly any benefit from the appreciation of the Trust s assets Investment in units is most advantageous to individuals paying wealth tax and higher rates of income tax Investors in Mastershares have of course been very well rewarded by way of return as well as capital appreciation But Mastershares being mutual fund are conceptually different from UTI s units

Unquestionably, the concessional price offer during July and the numerous tax exemptions that the Trust enjoys continue to be the major factors contributing to the uninterrupted growth in sales of units To make this point is not to belittle the important role UTI has been playing and will continue to play in mobilising the savings of the people and channelising them into productive industrial ventures The household sector has of late been showing increasing preference for financial assets for deployment of savings The UTI is ideally suited to exploit the potential for mobilising household savings for financing industrial growth There will always be a class of people who would like to invest their savings in securities but are not familiar with the intricacies of operating on the stock exchange Nor is the stock broking community properly equipped to woo and service these prospective investors

The UTI owes much of its rapid growth to the unique tax exemptions it enjoys But then fiscal and tax concessions have been increasingly deployed to promote growth in several sectors of the economy—saving investment in new ventures particularly in backward areas exports, etc Undoubtedly, UTI has done a commendable job in mobilising resources from the domestic market and with the setting up of the India Fund (UK) the India Growth Fund (US), the activities of the Trust have crossed the national frontiers and investors abroad are being invited to participate in the Indian capital market

There is immense scope for tapping the vast reservoir of household savings in the rural and semi urban areas The Trust is aware of the need to provide appropriate instruments for garnering these savings for industrial development It is always looking for products which have a good investor appeal and offer investment portfolio mixes ranging from conservative income oriented funds to aggressive equity funds structured for maximum capital appreciation Currently, the Trust is gearing itself to venture into housing and construction fund, equity linked savings scheme and second series of venture capital fund

The UTI has come to be recognised as a good and reliable manager of its investments with a business like and service-oriented approach Apart from mobilisation of savings, the most outstanding aspect of UTI s operations is the vital role it has of late been playing in developing the country s capital market—secondary as well as primary During 1988-89 alone, UTI invested Rs 1,120 crore in equities, representing 25 per cent of the total funds invested during the year Three years ago, at the end of 1985 86, UTI's total investment in equities was only Rs 371 crore At the end of June 1989, its equity investment stood at Rs 2,263 crore The Trust has emerged as one of the largest institutional investors in the capital market Its operations in the new issue market and in the secondary market have brought about a phenomenal change in the structure of the capital market and its orderly development The UTI chief is highly optimistic about the outlook for the equity market And what he thinks certainly matters

TWENTY YEARS AGO

EPW, July 5, 1969

The sudden ordinance from Delhi, banning forward trading in shares at all the stock exchanges has pricked the stock exchange boom which had assumed abnormal proportions over the last six months Over the last three years initially as a result of the recession and more recently owing to the prospective abolition of the managing agency system a large number of units have changed or are likely to change hands Established industrialists have used the funds of companies under their control to finance their take overs in this they have been abetted by banks and financial institutions which have provided or are willing to provide them funds ostensibly to finance their expansion without questioning the use of the companies own funds The strength of the newcomers has been drawn from their initial liquidity the impact of which has been increased manifold by forward trading on margins Once they acquired one or two companies in this manner the process gets a further boost Government has two possible ways open first it can try to protect well managed but weakly held companies whose shares are traded in the forward list second under section 409 of the Companies Act it can prevent a change in the board of directors of a company arising out of transfers of shares which would be prejudicial to the company s interests Initially government has thought it fit to take the first course The main problem however is excess liquidity which can be put to all sorts of uses This is a matter of monetary and fiscal policies both of which have been mishandled Other measures are only palliatives not permanent solutions

* * *

At its meeting on Thursday the Congress Parliamentary Board once again evaded the issues raised by the Telengana agitation It has now become commonplace to say that the Telengana problem calls for a political solution Obviously the Parliamentary Board s rejection of the separate state demand would have been more effective had it at the same time indicated what the essential elements of the political solution that it has in mind are More and more Congressmen from Telengana are being forced by the necessity of political survival to take up fence sitting postures vis a vis the Telengana agitation If the Praja Samiti and the as yet unrecognised Telengana Congress Committee can keep the agitation going long enough the division of the State Congress into Andhra and Telengana blocs might become complete By its failure to take any kind of political initiative the Parliamentary Board has in effect decreed that the issue be decided on the streets of Hyderabad

NOTICE

[illegible] M/s **Boehringer Knoll Limited** proposes to make the application to the [illegible] Affairs, New Delhi under sub-section (2) of sec[illegible] of the Monopolies and Restric[illegible] [illegible] establishment of a new undertaking [illegible] Brief particulars of the proposal [illegible]

Boehringer Knoll Limited

[illegible]

Capital (Authorised) [illegible]

[illegible]

Address [illegible]

[illegible] Pauder [illegible]

[illegible] Road [illegible] Bombay [illegible]

[illegible] 26 [illegible] Republic [illegible]

[illegible] 400 [illegible]

Apartment [illegible] Nepean Sea Road [illegible] 400 006

Dr [illegible] Millermann [illegible] Company Executive [illegible] Weinheim [illegible] Federal Republic of Germany

[illegible] Product

[illegible] New Product [illegible]

Name of [illegible] Trade name [illegible] per annum [illegible]

[illegible] the proposal relates to the [illegible] service state the volume of activity in terms [illegible] N.A.

9 [illegible] of the Project [illegible] N.A. [illegible]

10 [illegible] of finance indicating the amount [illegible] N.A.

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein.

K J Shah
Vice President—Finance
& Company Secretary

Dated this 10th day of July, 1989

Macro Economic Aggregates and Population (1980-81 Series)

(AT CURRENT PRICES)

(Rs crore)

Year (1)	gdp at factor cost (2)	indirect taxes less subsidies (3)	gdp at market prices (4)	consumption of fixed capital (5)	ndp at market prices (6)	gnp at factor cost (7)	nnp at factor cost (8)	gnp at market prices (9)	nnp at market prices (10)	pdi** (11)	pfce in domestic market (12)	gdcf (13)
1970-71	39708	3455	43163	3062	40101	39424	36362	42879	39817	35293	32545	7177
1971 72	42248	4009	46257	3374	42883	41957	38583	45966	42592	37378	35101	7986
1972 73	46473	4532	51005	3789	47216	46171	42382	50703	46914	41429	38688	8130
1973 74	56954	5053	62007	4388	57619	56629	52241	61682	57294	51097	46638	11824
1974 75	67039	6196	73235	5554	67681	66748	61194	72944	67390	59414	56505	13379
1975 76	71201	7560	78761	6415	72346	70946	64531	78506	72091	63345	57822	14811
1976 77	76535	8358	84893	6895	77998	76302	69407	84660	77765	67811	60079	16721
1977 78	87351	8716	96067	7447	88620	87118	79671	95834	88387	78174	69183	18765
1978 79	93880	10310	104190	8469	95721	93724	85255	104034	95565	83862	75242	24266
1979 80	102442	11914	114356	10281	104075	102595	92314	114509	104228	91338	81704	25278
1980 81	122226	13586	135812	12087	123725	122571	110484	136157	124070	112904	99083	30867
1981 82	142876	16544	159420	14459	144961	142916	128457	159460	145001	129973	113456	36279
1982 83	158851	18737	177588	16886	160702	158217	141331	176954	160068	142768	124691	37236
1983 84	185815	20866	206681	19229	187452	184871	165642	205737	186508	168920	145796	43558
1984 85	207781	22810	230591	22084	208507	206357	184273	229167	207083	187736	161611	48493
1985 86	234063	28444	262507	26215	236292	232634	206419	261078	234863	209227	176350	61384
1986 87	260680	32728	293408	29865	263543	258875	229010	291603	261738	233486	198492	68521
1987 88 QE	293306	37158	330464	33688	296776	291501	257813	328659	294971	263505	221057	73090

Year	ndcf (14)	gds** (15)	nds** (16)	per capita gnp at factor cost (Rs) (17)	per capita nnp at factor cost (Rs) (18)	rate of gds in per cent (19)	rate of nds in per cent (20)	rate of gdcf in per cent (21)	rate of ndcf in per cent (22)	per centage growth in gnp at factor cost over the year (23)	per centage growth in nnp at factor cost over the year (24)	per centage growth in per capita nnp (25)	population in millions (26)
1970 71	4115	6783	3721	728 7	672 1	15 7	9 3	16 6	10 3	—	—	–	541
1971 72	4612	7508	4134	757 3	696 4	16 2	9 6	17 3	10 8	6 4	6 1	3 6	554
1972 73	4341	7833	4044	814 3	747 5	15 4	8 6	15 9	9 2	10 0	9 8	7 3	567
1973 74	7436	11432	7044	976 4	900 7	15 4	12 2	19 1	12 9	22 7	23 3	20 5	580
1974-75	7825	12726	7172	1125 6	1031 9	17 4	10 6	18 3	11 6	17 9	17 1	14 6	593
1975 76	8396	14928	8513	1168 8	1063 1	19 0	11 8	18 8	11 6	6 3	5 5	3 0	607
1976 77	9826	18030	11135	1230 7	1119 5	21 2	14 3	19 7	12 6	7 5	7 6	5 3	620
1977 78	11318	20230	12783	1374 1	1256 6	21 1	14 4	19 5	12 8	14 2	14 8	12 2	634
1978 79	15797	24138	15669	1444 1	1313 6	23 2	16 4	23 3	16 5	7 6	7 0	4 5	649
1979 80	14997	24698	14417	1545 1	1390 3	21 6	13 9	22 1	14 4	9 5	8 3	5 8	664
1980-81	18780	28773	16686	1805 2	1627 2	21 2	13 5	22 7	15 2	19 5	19 7	17 0	679
1981-82	21820	33668	19209	2059 3	1851 0	21 1	13 3	22 8	15 1	16 6	16 3	13 8	694
1982-83	20350	34670	17784	2231 6	1993 4	19 5	11 1	21 0	12 7	10 7	10 0	7 7	709
1983 84	24329	41041	21812	2553 5	2287 9	19 9	11 6	21 1	13 0	16 8	17 2	14 8	724
1984-85	26409	45201	23117	2792 4	2493 5	19 6	11 1	21 0	12 7	11 6	11 2	9 0	739
1985-86	35169	55150	28935	3081 2	2734 0	21 0	12 2	23 4	14 9	12 7	12 0	9 6	755
1986-87	38656	63426	33561	3362 0	2974 2	21 6	12 7	23 4	14 7	11 3	10 9	8 8	770
1987-88 QE	39402	66650	32962	3713 4	3284 2	20 2	11 1	22 1	13 3	12 6	12 6	10 4	785

Notes gdp-Gross domestic product ndp net domestic product gnp gross national product nnp net national product gdi gross domestic savings nds net domestic savings pdi personal disposable income, pfce private final consumption expenditure gdcf gross domestic capital formation ndcf net domestic capital formation QE Quick estimates

** Not estimated at 1980 81 prices

Source National Accounts Statistics 1989 Central Statistical Organisation Department of Statistics Ministry of Planning Government of India

Macro Economic Aggregates and Population (1980-81 Series)

(AT 1980-81 PRICES)

(Rs crore)

Year	gdp at factor cos	indirect taxes less subsidies	gdp at market prices	consumption of fixed capital	ndp at market prices	gnp at factor cos	nnp at factor cos	gnp at market prices	nnp at market prices	[illegible] in domestic market	[illegible]	[illegible]	per capita gnp at factor cos (Rs)	per capita nnp at factor cos (Rs)	[illegible] per cent	[illegible] per cent	percentage growth in gnp at factor cost	percentage growth in nnp at factor cos	per [illegible]	population in millions
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
1970 71	90426	10936	101362	7254	94108	89465	82211	100401	93147	71522	18975	11674	1653.7	519.6	18.7	12.4	—			541
1971 72	91339	11864	103203	7606	95597	90281	82675	102145	94549	73206	19[illegible]9	12293	1629.6	149[illegible].3	19	12.9	0.9	0.6	1.8	554
1972 73	91048	11518	102566	8006	94560	89997	81991	101515	93509	73647	18623	10617	1587.2	1446.0	18.2	11.2	−0.3	−0.8	3.1	567
1973 74	95192	10404	105596	8385	97211	94395	86010	104799	96414	75654	23664	15279	1627.5	1482.9	22.4	15.7	4.9	4.9	2.6	580
1974 75	96297	10558	106855	8769	98086	95885	87116	106443	97674	75747	21333	12564	1616.9	1469.1	20.0	12.8	1.6	1.3	−0.9	593
1975 76	104968	11707	116675	9227	107448	104660	95433	116367	107140	80063	22014	12787	1724.2	1572.2	18.9	11.9	9.2	9.5	7.0	607
1976 77	106280	12468	118748	9743	109005	105996	96253	118464	108721	82165	24175	14452	1709.6	1552.5	20.4	13.2	1.3	0.9	1.3	620
1977 78	114219	13074	127293	10233	117060	113903	103670	126977	116744	88706	26311	16078	1796.6	1635.2	20.7	13.7	7.5	7.7	5.3	634
1978 79	120207	14134	134341	10836	123505	120005	109169	134139	123303	94041	31768	20932	1849.1	1682.1	23.6	16.9	5.4	5.3	2.9	649
1979 80	114236	13336	127572	11442	116130	114379	102937	127715	116273	91379	28401	16959	1722.6	1550.3	22.3	14.6	−4.7	−5.7	7.8	664
1980 81	122226	13586	135812	12087	123725	122571	110484	136157	124070	99083	33867	18780	1805.2	1627.2	22.7	15.2	7.2	7.3	5.0	679
1981 82	129776	15038	144814	12788	132026	129815	117027	144853	132065	103574	32421	19633	1870.5	1686.3	22.4	14.9	5.9	5.9	3.6	694
1982 83	133830	16770	150600	13595	137005	133214	119619	149984	136389	106604	30694	17099	1878.9	1657.2	20.4	12.5	2.6	2.2	0.1	709
1983 84	144817	18734	163551	14469	149082	143813	129344	162547	148078	114533	32651	18182	1986.4	1786.5	20.0	12.2	8.0	8.1	5.9	724
1984 85	150542	18616	169158	15393	153765	149365	133972	167981	152588	118306	33400	18007	2021.2	1812.9	19.7	11.7	3.9	3.6	1.5	739
1985 86	158176	22152	180328	16328	164000	156975	140647	179127	162799	122488	38735	22407	2079.1	1862.9	21.5	13.7	5.1	5.0	2.8	755
1986 87	164441	24250	188691	17322	171369	162997	145675	187247	169925	129121	40241	22919	2116.8	1891.9	21.3	13.4	3.8	3.6	1.6	770
1987 88QE	170363	26659	197022	18346	178676	168919	150573	195578	177232	134133	40171	21825	2151.8	1918.1	20.4	12.2	3.6	3.4	1.4	785

HDC

Good Working Results

HINDUSTHAN DEVELOPMENT CORPORATION (HDC) has shown good working results for the 15 month period ended March 31 1989, with significant increases in turnover and profits over the previous 12 months The company has earned a gross profit of Rs 28 47 crore compared to Rs 16 31 crore following a turnover of Rs 221 24 crore against Rs 129 45 crore These figures also show slightly higher profit margins Net profit has more than doubled to Rs 11 80 crore (Rs 5 14 crore) Equity dividend has been stepped up by 5 points to 25 per cent and is covered 5 55 times by earnings as against 3 02 times previously

The performance of the company's engineering unit at Calcutta has improved considerably Its Bamunari plant achieved higher production The plant has developed steel castings for export to the USSR and has secured prestigious orders from the country The company's wagon plant at Santragachi has achieved higher production The production would have been more but for lack of orders from the Railway Board The Tiljala plant has received fresh export orders To improve the track technology and to enable the Indian Railways to achieve much higher speed, a technology upgradation scheme is being studied The air pollution control equipment division has received a prestigious order for electro static precipitators (ESP) from Rourkela Steel Plant against stiff competition The company's engineering division in northern India has achieved higher turnover due to improvement in product mix, although production has not shown any improvement mainly due to recessionary trend in the wire industry Demand for products of the chemical division at Haldia could not pick up due to inadequate availability of power to the ultimate buyers resulting in restricted utilisation of their plant capacities The working of the unit was affected because of a substantial increase in the landed cost of raw petroleum coke Cyanides and Chemicals Company the company's chemical division at Olpad in Gujarat could not achieve higher production of sodium cyanide due to intermittent interruption in the supply of power To overcome this problem the unit has installed an uninterrupted power supply unit with battery back up The unit has exported sodium cyanide of a FOB value of Rs 324 lakh The new project for manufacture of diphenyl guanidine has commenced production during the latter half of 1988 89 The HT insulator division at Mandideep in MP has achieved 90 per cent capacity of disc insulators upto 400 kV applications Production of solid core and bushing insulators of 220 kV and above is in advanced stage The unit has commenced the supply against an order of the Andhra Pradesh State Electricity Board for upgradation of 66 KV transmission line to 132 kV line which is expected to be completed during the current year The jute division which took a jute mill on a working arrangement basis with effect from February 1988 has performed satisfactorily

The company has taken effective steps to set up a composite steel plant as a new division named Madhya Pradesh Iron and Steel Company To meet part of the finance required for the project the company issued 12 5 per cent secured convertible debentures of Rs 145 each to the existing shareholders and employees The equity capital has increased by Rs 1 94 crore on April 1 1989 and an amount of Rs 6 80 crore has been credited to the share premium account on conversion of the convertible part of the debentures To meet further requirements the board has decided to issue new convertible debentures on similar basis

The Week's Companies

(Rs Lakh)

		HDC		Sandvik		Food Specialities	
		Latest Year 31 3 89	Last Year 31 12 87	Latest Year 31 12 88	Last Year 31 12 87	Latest Year 31 12 88	Last Year 31 12 87
Paid up Capital		892	892	577	577	1920	1920
Reserves		9256	8299	879	754	2763	1962
Borrowings		8208	6143	1101	935	5695	2767
of which Term Borrowings		6394	3477	310	366	4057	884
Gross fixed assets		16401	14571	2770	2522	9598	5373
Net fixed assets		12398	11244	1026	1006	8464	5829
Investments		1017	176	91	92	42	-
Current liabilities		4941	3912	1193	782	3309	2740
Current assets		9373	7210	2634	1951	5181	3561
Stocks		4443	2611	998	669	2924	2425
Book debts		2457	2896	1363	1024	559	291
Net sales		22124	12945	3733	3242	19428	17155
Other income		245	191	81	69	354	130
Raw material costs		11342	7274	1220	836	12134	10345
Wages		2392	868	806	677	942	800
Interest		1257	933	179	144	743	384
Gross profit (+) loss ( )		2847	1631	671	591	2201	2064
Depreciation provision		1343	996	222	336	547	472
Tax Provision		324	121	178	125	250	525
Net profit (+)/loss( )		1180	514	271	136	1404	1067
Investment allowance reserve		270	25			-	-
Transfer to reserves		690	314	127	20	924	573
Dividend							
Amount	P	9	7	—		—	-
	L	211	168	144	116	480	480
Rate (per cent)	P	15	15		-	—	—
	E	23	20	23	20	25	25
Cover (times)		5 55	3 02	1 88	1 17	2 93	2 22
Ratios (per cent)							
Gross profit/sales		12 87	12 60	17 97	18 22	11 33	12 03
Net profit/capital employed		20 49	11 08	18 61	10 22	29 98	27 49
Inventories/sales		20 08	20 17	26 73	20 63	15 05	14 13
Wages/sales		10 81	6 70	21 59	20 88	4 85	4 66

* 15 months

SANDVIK ASIA

Improved Sales Performance

SANDVIK ASIA has performed well during 1988 with sales rising from the previous year's Rs 32 42 crore to Rs 37 33 crore and gross profit from Rs 5 91 crore to Rs 6 71 crore Although taxation claimed a higher amount net profit doubled to Rs 2 71 crore (Rs 1 36 crore) The directors have stepped up dividend from 20 per cent to 25 per cent which has a better earnings cover of 1 88 times against 1 17 times previously

The company's improved sales performance came from the excellent showing of Coromant cutting tools and wear parts The sales of the Rock tools products received a slight setback mainly due to the lack of intensive marketing efforts by selling agents for this product group The company has taken over the total marketing responsibility of Rock tools products in addition to its existing product lines The FOB value of exports was Rs 65 lakh as compared to Rs 47 lakh in 1987 but the order intake at Rs one crore at the end of 1988 more truly indicates the company's successful efforts to increase exports The company's products found new markets in the USSR and some countries in Asia and Africa The two technology packages of drawings and designs that the company imported from Sweden have already been taken into the manufacturing programme The directors feel that block tool system and newer grades for cutting tools, which form this package, will support the powerful thrust for automated production in India and will be a source of inspiration for new product development ideas Investments in automatic press robots and a new

effluent treatment plant of high control standards have been made

FOOD SPECIALITIES

Small Decline in Margins

FOOD SPECIALITIES has turned in good working results for the year ended December 31 1988 Sales have gone up from Rs 171 55 crore in 1987 to Rs 194 28 crore in 1988 and net profit has gone up from Rs 20 64 crore to Rs 21 10 crore The figures show a small decline in the operating margin on account of rises in raw material costs particularly the cost of borrowings Wealth generation summing Rs 8 47 crore against Rs 8 72 crore previously and taxation Rs 3 20 crore against Rs 5 25 crore net profit is substantially higher at Rs 14 04 crore (Rs 10 67 crore) Two interim dividends of 15 per cent and 10 per cent were paid during the year making an aggregate of 25 per cent which is same as last year No final dividend has been recommended The distribution is covered 3 96 times by earnings as against 3 2 times previously The directors have also recommended a free scrip issue on a three for five basis by capitalising Rs 13 73 crore out of share premium account

During the year the company finalised the issue of secured convertible redeemable debentures of a total value of Rs 35 39 crore As per terms of the issue an amount of Rs 60 out of the face value of each debenture of Rs 160 was automatically converted into one equity share of the face value of Rs 10 each at a premium of Rs 50 per share on March 31 1989 The balance amount of Rs 100 of the face value of debentures will remain as 15 per cent redeemable non convertible debentures (series II) redeemable on or after the expiry of years

The new factory for the manufacture of instant coffee and instant coffee chicory blend at Nanjangud in Karnataka was commissioned towards the end of 1988 The modernisation expansion work at Moga factory in Punjab is expected to start contributing towards production during the later half of 1989 The foreign exchange earnings from exports amounted to Rs 7 7 crore against Rs 1 9 crore last year The figure for 1988 includes export of instant coffee made through the Coffee Board

NMDC

Iron Ore Exports

NMDC exported 92 95 lakh tonnes of iron ore during 1988 89, the highest so far, earning foreign exchange to the tune of Rs 200 crore The original long term contract for export from Bailadila provided only for export of lump ore which accounted for nearly 60 per cent of production the rest being fines to the extent of 30 40 per cent which was dumped as waste NMDC has now been able to develop a market for iron ore fines as well and exported 30 30 lakh tonnes of iron ore fines during 1988 89 The shipment of iron ore from Visakhapatnam Port have also been the highest so far—69 47 lakh tonnes during 1988 89 Similarly, the movement of iron ore on the K K line has also been a record —66 47 lakh tonnes during 1988 89

IN THE CAPITAL MARKET

Arihant Cotsyn

ARIHANT COTSYN promoted by Arihant Fabrics and Punjab State Industrial Development Corporation is entering the capital market on July 18 with a public issue of 24 lakh equity shares of Rs 10 each at par Of these 17 1 lakh shares are offered to the public The company will be manufacturing polyester viscose blended yarns of various counts at its Singrur plant in Punjab using air jet spinning technology Mamata Machinery will provide the technology The total cost of the project is Rs 18 crore Debt finance is Rs 10 crore Commercial production is expected around November this year About 50 per cent of the production has a ready demand from Arihant Fabrics Further the company has an obligation to export at least 25 per cent of its production So it does not envisage any marketing problems However one should not forget the recent hike in the price of viscose fibres which is a raw material for the company's products Also Arihant Fabrics one of the promoters is known to raise capital by way of public issues too frequently Another cause of caution is the high equity capital of Rs 8 crore servicing of which will need high earnings The issue is eligible for 80cc 80L 80M and 80 W I benefits

Elcot New Era Technologies

ELCOT NEW ERA TECHNOLOGIES (ELNET) is engaged in the manufacture of aluminium electrolytic capacitors in its unit at Hosur in Tamil Nadu which it has acquired from Electronic Corporation of Tamil Nadu The unit has an installed capacity of 50 million capacitors per annum and is equipped with the latest plant and machinery, imported from Japan Capacitor Industries ELNET is jointly promoted by Electronic Corporation of Tamil Nadu (ELCOT) and New Era Technologies

Aluminium electrolytic capacitors are critical components in televisions, radios, computers and telecommunication equipment With the rapid expansion of electronic industry in India, demand for capacitors is growing at a rate of 25 per cent per annum and is estimated to reach 460 million pieces in 1990 from 320 million pieces in 1988 The company's products are well received in the market and the company is confident of sharing the growing market for capacitors

The project cost of Rs 337 lakh is being partly met by Rs 245 lakh of equity capital Of the equity capital ELCOT will hold Rs 64 lakh (26 per cent) net Rs 61 lakh (25 per cent) and public Rs 120 lakh (49 per cent) Of the public issue of Rs 120 lakh equity shares amounting to Rs 20 lakh are reserved for firm allotment to Unit Trust of India

The issue opens on July 3

Sterling Computers

STERLING COMPUTERS manufacturers of the Siva PC will enter the capital market on July 10 with an issue of 10 000 000 equity shares of Rs 10 each at a premium of Rs 25 per share The company plans to diversify into new product areas namely lap top computers local area network and PC FAX machines products that are geared to answer the growing demand for office automation systems

Swaraj Engines

SWARAJ ENGINES has been promoted by Punjab Tractors and Kirloskar Oil Engines Both the promoters are well known blue chip companies listed in the BSE While Punjab Tractors manufactures tractors self propelled harvest combines etc Kirloskar Oil Engines manufactures a wide range of diesel engines Swaraj Engines will primarily manufacture diesel engines meant for Punjab Tractors The plant at SAS Nagar in Mohali district of Punjab a site very close to Punjab Tractors will produce 16 000 diesel engines per annum Commercial production has commenced since December 1988 At present Punjab tractors is manufacturing 13 000 tractors per annum and recently it has embarked on a major expansion programme Upon completion it is expected to manufacture 17,000 tractors per annum Hence SEL's engines have an assured market The total cost of the project is Rs 4 5 crore, of which Rs 1 8 crore is the equity capital and the rest is debt capital Of the Rs 1 8 crore equity capital, the promoters are contributing Rs 91 lakh and the rest is offered for the public The issue which open on July 10 is eligible for 80cc, 80L and 80M benefits of the ITA 1961

Flexible Power-People Equation

Bhabani Sen Gupta

India comes at the head of third world developing countries where the cleavage between power and people has not so far turned into direct, frontal confrontation There is no shortage of conflict in India, and the incidence of conflict will increase rather than decrease in the years to come However, conflict in India is socialised and defused at the same time

THE democracy movement or counter revolutionary rebellion in China whatever name one may choose to describe it—lends a new perspective to India's political development as a nation state in the last forty plus years All the more so because India and China launched their respective careers as sovereign states almost at the same time The two with their telling similarities and differences have arrived at a stage of development that despite fundamental divergencies in their socio political personalities compel comparisons The Chinese themselves say that in many ways India has done better while there is no dearth of Indians who believe that China has gone ahead of their country in several vital sectors

Almost in all developing nations and most of the socialist countries there is a basic cleavage between power and people Dictatorships—proletarian or military or authoritarian—seize power in the name of the people They refuse to delegate power to the people For a certain time—it may be a decade or many decades—people remain tuned to those who have seized power in their name and on their behalf Then one of three specific situations is created

The holders of power realise that they need active and free participation of the people to move the engine of economic technological and political development forward, and they take the initiative to rebuild their relationships with the people The result is a new realignment of power and people We see this happening in the Soviet Union on a grand scale, almost entirely, until now, at the fertilising initiatives of Mikhail S Gorbachev We see this happening limpingly and tortuously in Hungary and Poland where the native leaders did not have the power, until now to seize initiatives for internal change, nor were they willing to risk experimenting with change Popular pressures for change are far more effective in these two East European countries than in the USSR The regimes, the ramparts of power, are far weaker than in the USSR

In the second specific situation, the regime holders resist pressures for change welling up from the people to the point of suppressing popular activism by force and in doing so further retrenching the power people credibility of the political system Rulers failure to initiate relevant change in time from above polarises them from the people demanding change Polarisation turns into confrontation if regime leaders are determined to resist change and confrontation into conflict when they lurch forward to crush mobilised demands for change This situation prevails in many third world countries Among them tragically is now China

In the third specific situation in spite of the cleavage there are channels of communication interaction adoption and compromise between the holders of power and the people asking for change This situation exists only in democratic regimes which are not too many in the developing world Democratic regimes political institutions offer functional mechanisms for adoption by the rulers of some of the demands of the people This tends to defuse confrontation and arrest conflict The cleavage is not entirely erased But its volume remains within control and management of the political system Neither the regime nor the people feel totally alienated from one another

Within the rubric outlined above, it will be correct to put India at the head of third world developing countries, where the cleavage between power and people has not so far turned into direct frontal confrontation There is no shortage of conflict in India, and the incidence of conflict will increase rather than decrease in the years to come However conflict in India is *socialised* and *defused* at the same time

Socialised when large segments of people take part in mobilisation of demands and in clashes with a regime unwilling to concede the demands *Defused* when conflicts remain limited to localities and do not lock the regime and the people to a frontal combat at the centre of the political system

In the last decade and a half, India has had a surfeit of political and social conflicts Conflicts have crowded on the political system in the 1980s In Punjab, massive military power was used to dislodge armed khalistanis from the Golden Temple, and for a fairly long time, the entire state was placed under virtual military rule Since then there have been the Gorkhaland conflict and Bodo conflict both turning violent and inviting use of force of the armed police or the military Tripura also offers a case of limited violence used against a limited tribal youth insurgency

Most of the regime people confrontations in India, however, are still waged within the parameters of parliamentary democracy Confrontations between the centre and the states (the most dramatic amongst which was the unsuccessful effort of the Indira Gandhi regime to overthrow the Telugu Desam government of N T Rama Rao in 1984 with the help of the governor) between state governments and sections of state populations, between classes and interests (the agrarian violence in Bihar, the numerous violent clashes between religious communities) are political-economic social conflicts built into the Indian condition

Large interest groups bring their battles to the heart of Delhi, capital city, centre of power, and sometime hundreds of thousands of people sit in for days pressing their demands The governments at the centre and in the states often use firepower of security forces to defeat large protests However, there has not been so far a power people combat in independent India similar to what happened in Beijing's Tiananmen Square on June 4 Tanks have not rolled on to crush a mass protest movement involving thousands of people anywhere in India except in Amritsar in 1984 in which case the use of military power could be justified on the armed defiance of authority by the followers of Sant Jarnail Singh Bhrindranwale

The relative flexibility of the power-people equation in India is to be attributed entirely to the parliamentary democratic system Elections provide the oxygen of Indian politics, together with the freedoms guaranteed in the Constitution Every election gives the confronting popular forces in India an opportunity to test their mutual strengths and weaknesses in a peaceful battle of ballots The people have the right to change their rulers, and rulers do step down if they are rejected by

the people [illegible] free [illegible] to express their views to [illegible] the [illegible] and change and [illegible] from the [illegible] who are [illegible] political system [illegible] [illegible] proportion [illegible] and democratic [illegible] adopted by the political process. This adoption blunts the radical edge of the project most of which over time [illegible] and incorporated into the political system. We have seen this happen in Sri Lanka and Mizoram and [illegible] in the next year or two we will probably see this happening in Punjab.

The adaptive capabilities of the Indian political system are getting stronger from the plurality of party government and the decline of the long time hegemony of the Congress Party. One has to compare India with Mexico to realise the damage to a democratic political process single party hegemony can inflict if it continues for a long time. The ruling party of Mexico PRI has been in power for nearly 55 years and its [illegible] cannot be unseated. The result is [illegible] of the Mexican economy devaluation of its political power and its inability to play in the affairs of the western hemisphere the role its geography and human and other resources entitle it to play.

In India the Congress Party hegemony was broken in 1966-69 in the northern Indian states. The Congress virtually lost its control of parliament in 1969-71. It regained its hegemony only because of the Indian victory over Bangladesh in 1972. But within three years the Congress regime faced its gravest crisis adopted the extreme remedy declaration of the Emergency and when it was ready or forced to face the people in an election in February 19[illegible] it was wiped out from power in the same Hindi belt where it had lost state elections a decade or so before.

The next decade extended the process of the decline of the hegemony of Congress rule. This time the party lost the south. And also most of the east. Not in the same manner in which it had lost the north in the late 60s. This loss in the late seventies and eighties was to stable single party or coalition rule provided by the opposition. These governments were stable rooted to popular support and not the offspring of political ambitions of elected legislators. If Indira Gandhi were alive she might have lost the centre in 1985. Her assassination gave her son Rajiv Gandhi a massive majority in the Lok Sabha in December 1984. But not the restoration of Congress hegemony. Indeed there was a time in 1986 when the Congress(I) did not rule one half of the country population wise.

Pluralism of party government in India then is a historical process which has taken two decades to consolidate at the state level. The process is now irreversible. In other words it is not possible for the Congress that is its ruling party ever to restore or force it hegemony of political power in the Indian political system.

The question looming before the Indians is whether at the national level too pluralism will now prevail. Whether the Congress(I) will rule for a fairly long time more or will be replaced by the opposition this year or in the next election. The absence of a single political party to challenge the Congress(I) at the national level delays the arrival of pluralism at the centre. The Congress(I) may still win the next election and form the government in Delhi. However the next government will not be hegemonic. It will have to contend with a strong opposition. That factor alone will leash some of its political ambitions tame its imperial behaviour and compel it to work more co operatively with the opposition than it has done so far except in a brief period in the late 60s.

In the state elections in 1990 the Congress(I) will most probably lose one or more of the north Indian states where it has been ruling for a long time. That also will dwarf its hegemonic size and style. In short India is arriving as a political state when the political parties will have to work with one another on a long term continuum basis. This will mean a very large element of popular participation in government making India one of the largest participatory regimes in the world.

The advent of pluralistic rule at the state level has had many positive impacts on Indian polity. One of the most remarkable is the emergence of several experiment stations within the political system. In a polity dominated by the Congress(I) the centre was the only station of experiment. Not only were developmental concepts handed down from the centre to the states the latter had little option to experiment with administration or governance. The panchayati raj crafted in the 50s and 60s illustrates this point. A uniform partyless panchayat system was introduced in all states.

In contrast several experiments in local government have been attempted in India in the 80s by state governments created by non Congress(I) parties. The panchayat system in West Bengal, Tripura and Kerala bears the stamp of the CPI(M) conceptualisation. Its two variants have been installed in Karnataka and Andhra Pradesh. The cumulative impact of these three political experiments on the centre has been truly remarkable. The prime minister has made the creation of a third tier of democracy the flagship of the ruling party's election campaign. Thus for the first time in India the centre has adopted political experiments both in concepts and in architectures first tried at the state level by non Congress political parties in power.

In India the state governments should function as policy laboratories designing and developing concepts and forms of development and administration suited to the peculiar requirements of the different states. This has happened to some extent even under Congress hegemonic rule. The sugarcane economy of Maharashtra is handled very differently politically from the sugarcane economy of say Uttar Pradesh. However because the Congress(I) is a command control party and its leadership has blocked major initiatives by state chief ministers since Indira Gandhi slipped her personalised hegemonic rule on the entire party and all governments run by it experimentation innovation and improvisation has been lagging on a national scale.

The important states run by opposition parties Tamil Nadu Andhra Pradesh West Bengal and Haryana have a greater responsibility than they seem to realise to make their legislatures function as laboratories of alternative concepts and models of administration and development. There is no reason why these legislatures should not even intervene in national affairs. They have their right to suggest new experiments to the centre or criticise existing institutions and concepts and suggest relevant change.

In any macro overview of political development and change in the third world India's performance must merit cheers. In spite of setbacks and distortions despite numerous slippages and in the midst of countless contradictions three specific performances of the Indian political system definitely stand out.

First the democratic electoral system has woven together a huge mass of politically conscious people who have now a stake in the durability of the democratic process simply because, with all its grave shortcomings, it has given the country political stability together with space for political change and development.

Secondly, steady, if slow, pace of development has created a profile of India that makes it perhaps the first among third world countries that can be said to be 'arriving' at the threshold of development.

Thridly, it is definitely the most adaptive political system in the developing world, even when its body politic bears the scars and bruises of numerous bloody conflicts.

After all tanks have not rolled in Delhi's Vijay Chowk to mow down unarmed, non violent protesters.

Calcutta Diary

AM

It always begins with a symbol, whether it be a war or a revolution The storming of the Bastille marked, more than anything else, the freeing of man's imagination Without it there would be no storming of the winter palace, no Long March, nor the magic of Dien Bien Phu or Sierra Maestra And since there is no quitting time for revolutions, this year's celebrations are perhaps somewhat premature

EVEN according to the scale of the times from Hotel de Ville to Bastille, it was not much of a march a stretch of barely three quarters of a mile Once a fortress demoted to the status of a state prison Bastille was obviously not being put to much use in the latter capacity either It held just about half a dozen prisoners not one of whom could be described as a political victim of the regime The governor De Launy had at his command just about eighty odd *invalides* and thirty odd Swiss guards Storming the Bastille was therefore not any great feat as such But once on the night of July 12 Camille Desmoulins could not be prevented from inciting the Paris mob to arms what was to happen happened De Launy surrendered along with his men meekly enough Meekness did not help the law of motion of history had taken charge they were butchered Louis XVI always a little dim witted was slow to comprehend the meaning of meaning It was he thought a revolt Civilities were breaking down The Duke of La Rochefoucauld Liancourt was rude enough to correct his king no, your majesty not a revolt a revolution He stumbled on the phrase, and the French revolution was on It is exactly two hundred years since

Bastille became the symbol It always begins with a symbol whether it be a war or a revolution And yet in the relatively short run, it, to all appearances achieved little for the French The hatred, stocked up over several centuries, had to be out, there was a lot of blood letting It was to begin with a rising against arbitrary power, in its turn the revolution itself became arbitrary Soon, it concentrated on devouring its children, Robespierre despatching Danton to the guillotine, and calmly waiting for his own place in the queue. The Jacobins, for some brief while, flaunted both on awesome vision and on awesome demagogy They too went to meet their destiny Marat, one-half scoundrel and one-half ideologue, perhaps took the women in the revolution too much for granted he paid for it Whether, as Charles Dickens would like us to believe Madame Defarge and the rest of *les tricoteuses* did in fact pre empt those front row seats so as to be able to watch the sliced heads tumble out of the guillotine remains till this day doubtful But frenzy was in any event universalised, with little to choose between the mindlessness of sophisticated Charlotte Corday and the foaming at the mouth by plebian women who insisted on their daily quota of syndicated killings

For the populace as such, the immediate gains were nonetheless illusory Amid the chaos evidence of tangible improvements in the level of living of the Paris slum dweller was hard to come by The aristocrats fled but the countryside was invaded by shopkeepers and money lenders from the heart of Paris They had an eye on the main chance, they set a pattern which was to be emulated eighty years later by the carpet baggers in the American south True the Declaration of the Rights of Man was on hand In fact there were several versions of it that busybody Lafayette was once more in an expansive mood Between Bastille and the climacteric of the Terror it took just about four years The frightened French bourgeoisie could not quite retreat into the bowery of old aristocracy They instead took to Napoleon Napoleon established one major point no divinity attaches to either monarchy or aristocracy any chevalier, in case he had the audacity and the charm, could build an empire The French put Bastille in cold storage and hailed the pudgy little fellow who bestowed upon them the pleasure of his empire It was another kind of a dizzy season for them the thrill of foreign adventures, and the loot the adventures yielded, provided them, so to say, with an empirical correlate of the empire Napoleon, besides, was a man of many parts He straightened French roads, and gave the nation a legal system He went to St Helena, but the roads survived, so did the Code

Napoleon

In due course, Bastille was rendered into innocuous social gossip, and little of *egalite* stuck to French society It had other spin offs though The storming of Bastille scared the daylights out of the landowning plutocrats in country after country It thus induced enlightenment on an international scale at least on a European scale The feudal set in Europe, learnt about the non acceptable face of class exploitation it was right and proper and necessary to indulge in plunder, but within certain boundary conditions Inside France, between Bastille and Napoleon, the message spread hereditary rights might or might not clash with human rights it all depended on circumstances hereditary rights were however purchasable is purchasable is the ardour of a Josephine or a Marie Louise This realisation itself was a major milestone It heralded the beginning of social mobility Even so at least nine tenths of the population as of that moment got hardly anything out of it The royal families of Europe ran for cover they intermarried thus forming a tight cartel The upper layer of the bourgeoisie infiltrated with alacrity into the arrangement They took most of the gravy and in exchange provided royalty with ministers generals civil servants bankers The impoverished peasantry and the still trying to gather strength urban proletariat made another major effort to emerge on top in 1848 They almost succeeded and the next couple of years were full of confusion There is no such category as half a revolution as those who slaughtered De Launy and his men had unerringly perceived France needed the full span of another twenty years the discomfiture of defeat in a foreign war and the trauma of the Paris Commune before she finally succeeded to get out of the coil of monarchy By then the strongest emerging influence was of industrial capitalism, its compulsions rendered the French republic into what it became

Are not the celebrations this month therefore a bit of a sham? It is in any case impossible to measure in isolation Bastille's historical significance What the past two hundred years have bequeathed is a pot pourri of Bastille the Terror Napoleon and with a time lag the grammar of bourgeois capitalism True Bastille started it all the causality of both the Terror and the Bonapartes is rooted in it Had the memory of the distant scare of Bastille not been there who knows capitalism might have manifested itself in a much more malevolent manner

Perhaps the most important gain was encapsulated in the Duke of La Roche foucauld-Liancourt's extra ordinary instant summing up Bastille gave accept ability to the concept of the revolution Revolutions, the point was established are not outside the human system they are to take place from time to time quantities of a certain description will reach a nodal point, cross the point, and be metamor phosed into a qualitatively separate description Once the integrity of this statement is granted, Bastille falls in place without it, there would be no storming of the winter palace, no Long March nor the magic of Dien Bien Phu or Sierra Maestra Since there is no quitting time for revolutions, and the stretch of two hundred years is a mere piffle this year's celebrations are perhaps somewhat pre mature It is too early to judge, com mented Zhou Enlai, what mark the French revolution would leave on human civilisation That comment was entirely in character The Chinese are accustomed to measure history by the yardstick of millen niums They keep furnishing the most up-to-date evidence that, while the rest of the world might worry, they are prepared to wait it out

Is that not then the hallmark of a revolutionary, to wait and wait until the hour is right? By celebrating Bastille we celebrate a memory the memory of a point of time when the inchoateness of the mind turned into something more precise There has been no stopping of either ideas or praxis since then The storming of Bastille marked more than anything else, the freeing of man's imagination Or perhaps the imagination was already a boil, it is praxis which took charge Engels went back and discovered a pea sant uprising in some remote previous century in his native Germany, while others poured cold water on the idea, he even went into raptures recounting the revolutionary potential of the English working class Marx, a man of many parts, composed the communist manifesto and gave flesh to the theory of alienation, he also cast a sardonic look at the goings on in France in the aftermath of the Eighteenth Brumaire, even as he directed a fusillade of polemics against friends who would turn into foes by late afternoon Bastille receded into the ground, but two separate formulations of faith embedded themselves in the consciousness of radical *emigres* billeted in different European cities (a) revolutions are inevitable, (b) you have to wait, for revolutions take place only according to an historical schedule

The flamboyant Lafayatte re-crossed the Atlantic and presented his friend George Washington with the key of Bastille, it now reposes, peacefully, at Monticello, Mount Vernon That episode is however no more than a mythology gone stale The ideology of insurrections and revolutions burns for ever, there is no physical counterpart to memory Bastille, the old fort had long ago ceased to exist Two centuries later at least a dozen boulevards converge on the Place de la Bastille—rue de Lyon, Boulevard de la Bastille, Boulevard Bourdon, Boulevard Henry IV rue Antoine Boulevard Beaumarchais Boulevard Richard Lenoir rue de la Roquette, et al For the romantically bent they at present con verge into apparent contextlessness That too is perhaps an illusion the kiosks and the shops and the cafe bars and the restaurants and the metro, the cacophony and the bustle and the traffic, they whirl and whirl and throw a hint, the current vacuum does not necessarily indicate a permanent state of reality, Paris and France and Europe and the world are what they are because of what had happened two centuries ago, and what had happened two centuries ago is a recurr ing phenomenon, it might replicate itself if not here, then somewhere else

The spot where Bastille once stood thus waits It waits for the new opera house to be completed, but perhaps for other, yet to be revolutions too Meanwhile, though there is divertissement Simenon's unlikely hero from the Police Judiciare, Superin tendent Maigret lives only a couple of lugubrious furlongs away, in one of those not too-high apartment blocks, and several of the marginal characters Simenon is obsessed with live sloppily around on rue du Chemin-Vert or rue Boulle or Place Sajarnier Every year on May Day, Bastille fills up, the PCF and the CGT march their cadres the Inter nationale rents the air creating an instant s illusion that perhaps the revolution—another one following a gap of two hundred years—is a coming Bastille is no longer there but Bastille remains

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TRIPURA

New Chapter in History of Insurgency

In the light of the facts that have come to light about the inspiration behind the TNV violence on the eve of the last assembly elections in Tripura, it is entirely credible that the TNLF, the new insurgent group which has surfaced in the state, is a creation of the government to create conditions for using the armed forces, in the name of containing the TNLF menace, to weed out the CPI(M) from the tribal-dominated areas of the state

A NEW insurgent group the Tribal National Liberation Front (TNLF) has surfaced in Tripura barely ten months after the surrender of the TNV extremists The TNLF which is led by Manindra Debbarma and Kala Debbarma was formed by some erstwhile collaborators of the TNV who failed to secure rehabilitation facilities on par with those extended to the TNV extremists who surrendered It is reported that at present the TNLF has about fifty active members According to police sources the TNLF has mounted a fresh recruitment drive in the tribal dominated areas of the state The TNLF is reported to have a arsenal of fifty country made guns the bulk of which were looted from tribals living in remote hilly areas of the state The organisation is reportedly making efforts to secure sophisticated weapons from Bangladesh and according to the chief minister of Tripura the TNLF is getting arms from abroad Its members are also reported to be undergoing military training in a camp situated across the border in Bangladesh in an area adjoining Raisyabari in the Amarpur subdivision of South Tripura district

At present the *modus operandi* of the TNLF seems to be to strike terror in the tribal dominated areas collect funds and commit dacoities and murders On June 2 a tribal youth was killed by a TNLF hit squad in the tribal-dominated Esrai village in Sadar subdivision The next day, another TNLF detachment struck in the south district in broad daylight looting the Killa market in Udaipur subdivision and escaping to the hills They forced nineteen people five of them non tribals, to carry booty from the Chhangang area and after assaulting them brutally released them later near Bampur in Amarpur subdivision On June 13 they raided the LAMPS office at Promodenager in Khowai subdivision They assaulted the manager of LAMPS, tied him to a stake, and fired a few empty rounds before leaving the scene of the crime. On the night of June 28, the police ambushed a TNLF gang between Jagabandhupara and Dangabari and killed a TNLF activist Several other activists were arrested and their country made guns were seized

Even as the TUJS the partner of the Congress (I) in the coalition ministry has decided to take the law in its own hands unless the government initiates drastic action against the TNLF in the next fifteen days the home minister of Tripura has demanded additional paramilitary forces to deal with the TNLF menace in the state According to reports appearing in the local newspapers three companies of Assam Rifles will be posted in the tribal dominated areas of Tripura to flush out the TNLF following a decision arrived at in a meeting between the chief minister and the army and the paramilitary forces stationed in the state

In the latest act of the drama the chief minister of Tripura has accused the CPI(M) and its front organisation of the tribals the Ganamukti Parishad (GMP) of creating the TNLF to destabilise the coalition government The TUJS has also accused the TNLF of unleashing a reign of terror against the TUJS workers and leaders in the tribal areas with the backing of the CPI(M)

This charge seems to be preposterous in view of the fact that the GMP has for the last 40 years championed the cause of the tribals The CPI(M) in Tripura has a solid base among the tribals and has fought for their rights through all these years and had taken concrete steps to improve their lot during the ten years when the Left Front government was in power in the state It is difficult to believe that the GMP and the CPI(M) will indulge in looting killing and arson in tribal dominated areas eroding their own base Besides, the victims of the violence perpetrated by the TNLF are in many cases members and supporters of the CPI(M) and the GMP For example, on June 16 an armed gang of about 20 TNLF men attacked the house of Shyamal Deb at Kalabagan and took away Rs 1,500 from his father, a CPI(M) party member Kumud Deb On June 18 and 19, they attacked the houses of Hemanta Debbarma and Becharam Debbarma both members of the GMP, and on June 21 the house of the CPI(M) party member Malancha Ghosh In these three separate incidents they looted goods worth about Rs 10 000 It is interesting to note that the five people arrested after these incidents owe their allegiance to the TUJS

The charge of complicity of the CPI(M) and the GMP with the TNLF has been levelled by the ruling partners in the state government with a clear end in view It has become necessary for the Congress(I) and the TUJS to mount a new anti CPI(M) campaign in the state because in the last sixteen months the coalition ministry has established its anti tribal credentials and has lost its credibility among the tribals by systematically working against tribal interests Even within the TUJS the rank and file and especially the student wing of the TUJS are disillusioned with the anti tribal stance of the government of which the TUJS is a partner Tribals have died of starvation in the last sixteen months the NREP and RLEGP have ground to a halt so that poor tribals living in rural areas do not have any work and the public distribution system has virtually collapsed in the tribal dominated interior areas of the state The government is not taking any measures to ameliorate the condition of the tribals Jobs are being offered to people who were supposedly victimised by the previous government without paying any heed to the reservation of jobs for tribals Moves are on by the coalition government to destroy the Tribal Area Autonomous District Council or to cripple it tribal women are being raped and molested and the government is turning a blind eye to their plight The performance of the coalition government in the last sixteen months has left no doubt in the minds of the tribals that despite the fact that the TUJS is a tribal party the Congress(I) TUJS coalition government of Tripura will not uphold tribal interests The disillusionment of the rank and file of the TUJS with its leadership because of its track record during the last sixteen months as a partner in the coalition government has naturally increased the popularity of the CPI(M) and the GMP among the tribals This has necessitated the levelling of wild charges against them in a desperate bid to turn the tide

Besides the charge levelled against the CPI(M) and the demand for additional paramilitary forces to deal with the insurgent menace ring a bell in the minds of the people of Tripura The timing is also significant On the eve of the last assembly elections in the state in the wake of the spate of killings perpetrated by the TNV, similar links between the TNV extremists and the CPI(M) were sought to be established by the Congress(I) and the TUJS in a bid to discredit the then Left Front government of the state and to influence the election results Even then the hollowness of the charge was clear The TNV had been formed by a

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Applications specifying the post for which application is being made may be sent with detailed curriculum vitae and personal data comprising academic qualifications, teaching and training experience, research work done and supervised with the list of publications along with copies of two or three best publications and with names of three referees well acquainted with their academic and research work. The applications should reach the Director General, Gandhi Labour Institute, Thaltej (Drive-in) Road, Ahmedabad 380 052 latest by 14th August 1989.

Selection may not necessarily be limited only to the applicants.

breakaway faction of the TUJS, it was apparent even to a casual observer that most of the victims of the TNV were CPI(M) party cadres and supporters or members and sympathisers of the GMP Members of the TUJS or Congress(I) were not attacked by the TNV After the elections, new facts came to light which proved beyond doubt that the supposed link between the TNV and the CPI(M) was the fabrication of a fertile mind to achieve a nefarious end Letters exchanged between Lalthanhawla and the TNV supremo, Bijoy Hrangkhawl, which were published in newspapers clearly established that the TNV was acting as an agent of the Congress(I) and the TUJS and had no truck with the CPI(M) Stationing the army and declaring the state a disturbed area without consulting the state government on the eve of the elections ostensibly to deal with the TNV menace even though the army did not fire a single shot against the TNV have left a bitter after taste in the mouths of the people of Tripura It may not be totally illogical to conjecture that on the eve of the Lok Sabha elections, the coalition government is trying to repeat the strategy adopted in the assembly elections to achieve its ends It may even be conjectured that the TUJS with the connivance of the Congress(I), is nurturing the TNLF with a view to creating an atmosphere of terror in tribal-dominated areas so that they can induct the army and paramilitary forces in these areas ostensibly to contain the TNLF menace but in actual fact to harass the CPI(M) and GMP members and supporters This trend is already noticeable In Sadar, Khowai, Amarpur and Sabroom, the armed forces have been active in harassing innocent tribals and members of the CPI(M) and GMP in the name of flushing out the TNLF To give a concrete example, on June 21, Jyotindra Debbarma a supporter of the CPI(M), was handed over to the police by the TUJS in Jirania as a member of the TNLF

The Lok Sabha elections are just round the corner and a certain section of the armed forces had been used in the last assembly elections to usher in the coalition government in the state Is it then far fetched to think that the TNLF is a creation of the powers that be to turn the ensuing elections into a farce by using the armed forces to weed out the CPI(M) and the GMP from the tribal dominated areas which are their strongholds in the name of containing the TNLF menace?

Paharia Tribals' Plight and Government's Indifference

Indu Bharti

In March-April this year over 200 tribals died in the tribal districts of Bihar of what the government described as a 'mystery disease' However, to those familiar with the tribal areas of Bihar and with the conditions in which the tribals live, the outbreak of the epidemic was hardly a surprise nor its cause a mystery

IN March and April this year at least 225 tribals died of a disease described till as late as the first week of April as mysterious in the four tribal districts of Singhbhum Gumala Ranchi and Sahebgunj in Bihar The mysterious disease later identified as pyogenic meningitis first struck the Kolhan region in Singhbhum district and later spread to the neighbouring districts

Reports of deaths due to 'a mysterious disease in Bandijore village of Tonto block in Singhbhum district began to reach the state capital in the last week of March They spoke of tribals dying after developing symptoms such as severe headache, vomiting, shivering stiffening of neck, high fever, etc. Thirty five people reportedly died in just one fortnight in this village alone

Though the disease first broke out in Tonto block, it was Manoharpur block which accounted for the largest number of deaths Twelve villages in this block were ravaged by the disease and at least 130 persons died The largest number of deaths occurred in Dangla village where about 60 tribals died The other affected areas were Goelkera Khentapani Nuamundi Jeraikela and Jagannathpur blocks in Singhbhum district In all around 185 deaths took place in Singhbhum while Gumala and Ranchi districts accounted for 16 deaths each and 30 died in Litipara and Warijore blocks of Sahebgunj district The mysterious disease also reportedly spread to the neighbouring tribal areas of West Bengal, Orissa and Madhya Pradesh

How did the epidemic break out and why only in the tribal areas? According to the local administration it could be food poisoning or the bad effects of 'hadia' (the tribals' domestic liquor) or the bite of meningococcal or neonrococcal or staplococcal or ades or culex insects The government doctors are not sure about the cause but they have identified the disease as pyogenic meningitis

Familiar Situation

To those familiar with the tribal areas, the outbreak of the epidemic was hardly a surprise nor its cause a mistery Most of the tribal villages do not have clean drinking water Either the tribals have to go to far off places to fetch water or they have to drink the water of the same polluted ponds and channles which they use for bathing and washing their cattles as well Medical facilities are almost non existent and so the tribals have to go to the 'ojhas' who exploit them by telling that their sickness is due to this or that bhut (ghost) and demand money meat and liquor from them to please the 'bhut' The tribals also lack the wherewithal for a bare meal everyday and their calorie intake is starkly inadequate Their resistance to disease is thus extremely poor

The last few years have made matters worse as south Bihar has been reeling under an acute water crisis The government has declared the districts affected by the epidemic as a drought prone area The unabated denudation of forests has affected the ecology of the region and with each passing year rainfall becomes more deficient The underground water level has gone deep down and most wells in the rural areas go dry in summers The state departments of public health and engineering and irrigation have acknowledged that the water level of the Suvarnarekha the biggest river in the region, has gone down significantly

In the 1988 summer the tribal region of Bihar experienced an acute drought The tribal villages and the poor tribals were naturally the worst sufferers At several places the tribals resorted to agitation, including actions such as road blockade, for water There were also reports of death due to meningitis, malaria and so on attributed to use of polluted water though it did not take the form of an epidemic While early rains provided some succour the tribals had to face a water crisis again after August-September as the rains had been scanty So the tribals had to return to the same polluted ponds and trenches and there were deaths due to diseases once again

Though the outbreak of the mysterious disease was reported only in March this year, deaths with similar symptoms had begun as early as December 1988 For instance, in Bandijore village six deaths preceded by ailments like high fever headache, vomiting and stiffening of the neck took place in December January Lungadi Munda, the village headman was quoted by several newspapers as having said that the first of such deaths had taken place in August last year

Poor Health Facilities

Government officials and doctors have sought to deny that drinking of polluted water has been the cause of the epidemic. On April 1, the Singhbhum district civil surgeon had told local journalists that contaminated water was the cause of the epidemic and that until the tribals were provided with clean drinking water they would continue to die. However, on April 4, following state health minister Dilkeshwar Ram's

denial in Patna that drinking of dirty water was to blame the civil surgeon also went back on his statement But report after report published in newspapers in Patna spoke of tribal being forced to use water from dry ponds and trenches and visiting doctor from Patna Jamshedpur and Ranchi warned the tribals against using such water

The officials have also sought to blame the tribals for not going to doctors for treatment allegedly because of their faith in ojha and jhar phenk But in most cases the tribals have to go to the ojhas because no medical facility is available to them The tribal villagers of Bandhjore had their first glimpse of doctors and health workers only in the last week of March this year

Lunkadi Munda has said that he had informed the Jonto block medical officer of the death from the mysterious disease as early as February but the latter did not thought it fit to visit the village let alone provide any treatment It was only on March 19 that the district civil surgeon reached the village and a team of doctors from Jamshedpur followed By then another 12 tribals had died and the death toll had reached 24 The doctors after elaborate tests carried out on 28 odd persons identified the disease as pyogenic meningitis Still the disease continued to be described as mysterious Even the district civil surgeon continued to term the disease as malaria Even after the disease was identified proper medicines were reportedly not administered For around a week or so the patients continued to be given antibiotics while the required medicine gamaglobolin injection was not supplied to the village

The worst sufferers were the Paharia tribals whose population is in any case fast dwindling The epidemic claimed at least 28 lives of Paharias in the Sahebganj district of Bihar In Guttibeda village under Barhait block inhabited by Mal Paharias the epidemic claimed 12 lives Seven others died in Sunder village two in Barjore and one each in Kolakha and and Jelo as per the official version

But as most of the villages inhabited by Paharias are inaccessible the death toll may well have been more Even the district officials have expressed the fear that the actual death toll may be more A report in a Hindi daily *Hindustan* on April 1 said that around 75 Paharias had died due to the epidemic The Paharia villages are so inaccessible that the team of doctors sent from Patna failed to visit most of the villages For instance Kherigoda Karikan Ambeda Deedma Holjar Kamodini Ambada Goda and Devdand though affected failed to get any medical help during the epidemic The team of doctors could visit only three villages Guttibeda Sahara and Rexi

The first information about the deaths due to the mysterious disease' had been received by the administration as early as February 24 from the mukhia of Gobindpur panchayat, Mohan Mishra But it was only when it learnt of the 25 deaths in Guttibed and Sunder villages that the administrations activated itself The deputy development commissioner visited Guttibeda village in the second week of April and sent an SOS to the health directorate in Patna and a team of doctors could reach the village only on April 11

Moneylenders Hold

The Paharia tribals eke out a living by undertaking kurva cultivation on the hills and collecting forest wood and selling it They grow only coarse grains like bajra maize etc The land they have is so insufficient that their agricultural produce is not enough to sustain them Moreover as a committee of the state assembly said in a report submitted in 1987 most of the land belonging to the Paharias is in the grip of moneylenders Exercising their first claim on the produce of the Paharias land the moneylenders purchase the grain grown by the Paharias at a meagre price and then resell it to them at exorbitant prices when the Paharias have exhausted their small stocks of grains and feed A recent study by the Santhal Pargana Antyoda Ashram on Paharias living on eight hills of Godda district could not find a single Paharia who was not caught in the moneylenders trap

The coarse grains that they grow constitute a fraction of the Paharias diet Mostly they depend on wild herbs and even grass Meat of dead animals constitutes another staple food of the Paharias and they are in constant search of dead animals as that provides them something to eat without having to pay for it

Medical facilities are almost non existent The assembly committee found that health centres opened by the government in the Paharia villages were only on paper as the doctors preferred to stay in the district or sub divisional headquarters and paid only occasional visit to the health centres

Some years ago another assembly committee had suggested instructing the educated Paharias about primary health measures and providing them medicines for treatment of common diseases But it was found that, leave alone provision of medicines not a single Paharia had been trained in primary health care

All this has made the Paharias prone to diseases like tuberculosis polio, white leprosy blindness goitre, epilepsy, typhoid, kala azar, etc The recent study by the Antyoda Ashram found that there was not a single Paharia family in Godda district free from one or the other of these diseases Consequently their population has been fast dwindling According to the report of the assembly committee, the population of Paharias fell by 9,000 during 1960 70 and by another 6,000 during the decade 1970-80 The committee observed that the main reasons for the decrease was malnutrition and use of polluted drinking water and the resultant diseases

Naturally, minor children have been the worst hit The Antyoda team which undertook the field study found the number of children below five years of age in Paharia families to be negligible Similarly, the number of Paharias above fifty years was also found to be negligible

Sixteen Paharia families now live on Belmakh hill under Sundarpahari block of Godda district Two decades ago there were 40 families The 16 families have 90 members eight of whom have diseases like tuberculosis leprosy goitre and epilepsy Even a four year old child was found to be afflicted with tuberculosis On Keshri hill only six families exist today wheras just a decade ago there had been eight The two families had fallen prey to starvation and disease The existing six families have 22 members four of whom are suffering from diseases like tuberculosis paralysis and epilepsy

All the Paharia families living on these two hills are in the clutches of moneylenders And these two hills are not the exceptions but the rule In every Paharia hamlet that the team visited it found the same situation dwindling population disease and starvation

Nor is the plight of the Paharias confined to Godda district The same team had undertaken a study in the Banjhi block of Sahebganj district There also it came to the same conclusion that the population of the Paharias is rapidly dwindling due to polluted water and malnutrition and the resultant diseases

Facing Extinction

Though the Paharias are known to be nearing extinction the government has not taken any concrete steps to improve the lot of the Paharias The assembly committee had recommended way back in 1982 the establishment of health sub centres in Paharia hamlets and referral hospitals in the Chandan block of Godda district where there was a concentration of Paharias But nothing has been done in this direction in the seven years since then

In its 1987 report the assembly committee found that government programmes like reclaiming hilly and baren land timely supply of fertilisers, seeds and agricultural implements were not being implemented seriously in the Paharia dominated regions The committee also found that little was being done to release the Paharias' land from the clutches of the moneylenders In its 1982 report the committee had recommended construction of colonies in the plains surrounding the hills to settle the Paharias But five years later the committee found that due to the constant negligence of the revenue department, neither residential nor agricultural land was made available for distribution amongst the Paharias

The Bihar government has been carrying on a Paharia welfare scheme Under the scheme villages are selected for various welfare programmes and the Paharias are

provided seeds, agricultural implements, cattle and also loans But more often than not the seeds are of poor quality and the cattle of poor breed The Antyoda team found that not a single head of cattle provided by the government was alive today

In the pre independence days cultivation of Sabai grass used to be a major source of cash income for the Paharias in the Rajmahal hill areas But due to lack of adequate government support for the development of Sabai grass cultivation, they had to gradually abandon it Total production of Sabai grass in 1945 was 10 million quintals which dropped to a mere 400 quintals in 1980-81 and the present annual production of Sabai grass is hardly 100 quintals (in 1907 it was over 18 million quintals) Nothing shows better the government s apathy to the sorry plight of Paharias

Some Agrarian Questions in the Jharkhand Movement

DN
GK

Questions regarding building an agrarian movement and the participation and rights of women have to be taken up in order to strengthen the Jharkhand movement

CLOSE to two years after the formation of the Jharkhand Coordination Committee (JCC) some features of the current phase of the movement can be identified In the first place the current phase has been distinguished from earlier phases by the predominant position of students and youth organised under the banner of the All Jharkhand Students Union (AJSU) in the agitation These students and youth are largely urban residents and it is the towns that have been the main centres of the agitation Numerous bandhs testify to the importance of the urban areas in the present movement

Another feature distinguishing the current phase is the large presence of the non adivasis referred to as *sadans* in the movement Sadans are present in the leadership of the JCC And a close identification of the sadan groups as a whole with the Jharkhand movement is noticeable This shows that Jharkhand as a nationality issue and not merely as one of tribal problems is firmly established The participation of sadans in the tribal led peasant revolts is of course nothing new Such participation is evident in the uprisings in the area whether those led by the Santals or those led by the Mundas With the transition to a nationality demand the connection between the tribals and the sadans has however become stronger

AGRARIAN MOVEMENT

Along with the above some other features of the present movement should also be noted The first and most important relates to the role of an agrarian movement as a component part of the Jharkhand struggle

Historically, land has been closely associated with the political struggle in Jharkhand The connection was very direct in the numerous eighteenth and nineteenth century peasant uprisings in the area, the most prominent of which were the Santhal *hul* and Munda *ulgulan* in the middle and end of the nineteenth century respectively and the Bhumij movement in Orissa in second quarter of the twentieth century

The connection between land and the political struggle in Jharkhand has continued into the present day The peasant uprising of 1969 70 in Debra Gopiballavpur spilling over into Baharagora and other adjoining areas of Jharkhand is part of the history of Jharkhand In the mid seventies outside Dhanbad the spread of the Jharkhand Mukti Morcha was closely linked to militant mass movements for the recovery of land and other assets seized by the moneylenders

Forest issues have not been as prominent as those of land But it should be remembered that the Chota Nagpur Tenancy Act enacted after the uprising led by Birsa Munda recognised not only the right to land but also in some places the community's right to the forests These *khuntkatti* forests still remain as remnants of community rather than government ownership In the mid fifties Palamu witnessed a movement for jungle raj led by the Kherwars under Fetal Singh In the seventies and eighties opposition to deforestation, monoculture of eucalyptus and the like have appeared on the agenda The problem of deforestation has merged into another problem—the typically modern one of displacement due to dams mines factories cantonments and the like

There is a close identification of the Jharkhand communities, tribal and non tribal alike, with both land and forests Which is why revolts have always followed attempts of imperialists and their Indian agents (landlords moneylenders bureaucrats etc) to deprive them of their rights to the land and forests

That the national question is essentially a peasant question is borne out in the case of Jharkhand Further, taking up peasant issues is vital to drawing the broadest rural masses into the political movement for Jharkhand There is the additional factor that forest questions, though they are not peasant ones, are important in Jharkhand, particularly so for those with less or poorer quality land and for the women, who as a rule have control over their own earnings from the sale of forest produce

In the period just before the formation of the JCC there were some ongoing peasant movements in parts of Singhbhum, Palamu and Gumla, led by the Jharkhand Kranti Dal and PCC, CPI(ML) combine But these have been more or less liquidated A solitary action a few months ago against forest-cutting in Gumla is all there is to show Instead there is just participation in a series of conventions or at best the enforcing of bandhs Participation in these bandhs has been of a limited nature Sometimes peasants have been involved in large numbers as in cooking on the roads on some occasions But such mass participation too has been fitful and not deliberately planned for On the contrary there is at least one instance of a demonstration being cancelled in favour of sensationalist actions

There are a number of ongoing struggles of the peasantry as for instance in the opposition to dams or for higher compensation in these matters But such struggles are being conducted on their own and there is no connection between them and the Jharkhand movement Neither the JCC itself nor its constituent organisations have made any attempts to link up these various struggles with each other and with the movement for a separate state Sibu Soren's Jharkhand Mukti Morcha (JMM) has long since abandoned such land and forest struggles On the contrary, many cadres are busy taking money from the contractors and, in return helping them to denude the forests

The large scale participation of students and youth is a positive factor But it has to be turned into good account so that the vital issues of Jharkhand become central to the movement Burning of degrees as has been done by a number of the leading students and youth needs to be followed by a campaign for them to take up the task of building a peasant movement Militancy requires a proper mass base and that can only be the peasantry The role of the peasants is not just to provide shelter and so on but to actively as an armed people, resist the state Minus the active participation of the peasantry militancy will degenerate into terrorism or worse

POSITION OF WOMEN

Another feature of the current movement relates to the discussion on 'cultural regeneration' The values that characterise tribal identity have been held for instance by Ram Dayal Munda or Nirmal Minz, to be harmony with nature, equality in society and collectivism in economic activities There has been much discussion on the necessity of linking the movement for Jharkhand with that for 'cultural regeneration' on the basis of the above-

mentioned values. In this move for cultural regeneration how is the position of women to be seen.

It is one of the proud boasts of the Jharkhand movement that women in tribal society are not of as low status as are women in mainstream Hindu society. Both in the family and in society adivasi women certainly have a more prominent position than do women in the developed class society of the plains. But this relatively superior position should not blind one either to its rapid erosion or to the traditional inequalities.

There are two crucial areas of inequality -property rights and political participation. In all the Jharkhandi tribes property particularly land passes through the male line. Along with this it is the practice that women after marriage go to stay in their husbands' homes. So the society is both patrilineal and patrilocal. Further women perform a major portion of the total social labour. The result of their labour is accumulation in male hands.

As mentioned women do not have a right to inherit land. It is mainly as widows that they do have some definite rights in land. But these rights have been eroded over time. Against the earlier right of widows to manage their late husbands' lands until their minor sons grew up and even after that to continue to keep a part of the land for their own maintenance it has now become merely a right to be maintained i.e. to be fed and clothed. In legal terms this has been degraded to a *khorposh* (maintenance) right from the earlier usufructuary right.

Being fed and clothed does not leave the women with any independence of action. Further such a grant is always liable to be reduced to the barest possible minimum. The right to manage land including the right to mortgage it is a far superior right one which leaves the woman with considerable scope for deciding her own affairs. But such a usufructuary right comes in conflict with the desires of the late husband's male relatives to grab the land. It is the struggle to degrade this residual usufructuary right that is the political economy of witch hunting. In opposition to this it is necessary to fight for the implementation of *khorposh* as a usufructuary right and not as maintenance grant.

The question of granting land rights to women has often been seen as a matter that would affect the integrity of tribal society. The Jharkhandi tribes have, as long as is known been patrilineal. But is patrilineality an essential characteristic of that which may be called the tribal system? It should be noted that the Khasis a north eastern tribe speaking a language of the same group as the Mundari languages of Jharkhand have a matrilineal system. There is of course no invariant relation between patrilineality and tribal society.

The values that characterise tribal identity have been held as mentioned earlier, to be harmony with nature, equality in society and collectivism in economic activities. The collective or the community is however defined to comprise the male kin group who for instance supposedly collectively own the *khuntkatti* lands. Why should the community not be redefined to include women not only as producers (which they are today) but also as owners along with men? Such a redefinition of the community will only make it more inclusive and increase the collective character of the production system. If anything including women as full members of the community will enhance the collective character of tribal society.

Will land pass out of tribal or even of particular clan or lineage, hands in the event of it being given to women too? This is an often repeated fear. The experience of the Chinese land reform however suggests that it need not be so. In each village the community allotted land individually to all its members men and women. Women who married out lost their right to land in their natal village and acquired it in their marital village. The land that had been allotted to women who married out was in turn re-allotted to women who married into the village. Provided land is not alienable or only alienable within the community as is the case with tribal land under the Chota Nagpur Tenancy Act land rights to women would not lead to land passing out of tribal hands. The integrity of the tribal community connected as it is with the community's ownership of land would not be weakened on the contrary it would be strengthened.

Upholding the customary law of the tribes does not mean that there should be no change in it. In fact customary law remains customary law only if it changes with the times changes as custom requires. To change customary law is a matter to be taken up within the community not a matter to be taken to some Supreme Court. But upholding customary law and standing for the necessity of changes in it being taken up within the community should not become excuses for insisting that there can be no changes in present day custom. Custom is custom only because it changes.

The other important question concerning women is that of political participation. The traditional panchayat is virtually an all male institution. Membership is of the head of a household or someone else in his stead. It is only in the rare circumstance that there is no suitable male in the household that a woman may be a member of the panchayat. Besides women youths too are not members of the panchayats. In *khuntkatti* areas households of non owning tillers (*praja* as they are designated) are also not represented in the panchayat. Further, the chief offices in these panchayats those of the *munda* (village headman) *manki* (area or *parha* chief) and *pahan* (village priest) are restricted to particular lineages (*khunts*).

There are thus various undemocratic features in this traditional system of participatory democracy. Women, youth and those of subsidiary lineages (normally relatives from the female side) are the ones discriminated against. When taking a position in favour of strengthening the traditional panchayat system as against the system of the Indian state it is necessary to also move for modifications in this system so as to be make it more fully an instrument of the community. Such a transformation is necessary if the panchayats are to serve as instruments of change.

Strengthening the traditional institutions would in fact be possible only if they are more attractive to all members of the community than the institutions of the Indian state. If women are to be excluded from the community's political institutions but are offered 30 per cent of the places in the Indian state's gram panchayats will it be possible to convince women that the traditional institutions which give them no scope for political participation are in fact better? The youth who are the main force in the struggle can they be excluded from the political system that the movement intends to strengthen?

Questions about the property (land) rights of women and women's political participation have figured in both the conferences (1987 and 1988) of the Jharkhand Mahila Mukti Samiti. Leading women cadres in the Jharkhand movement have also written about them. Thus these questions are not just something being raised by those outside the movement. Rather women in the Jharkhand movement are themselves raising these matters. With changing expectations of various sections of the tribal community custom needs to change. As pointed out earlier taking account of the changing expectations will only strengthen the tribal community while it is precisely failure to take account of these changing expectations that will weaken the community.

The above questions regarding building an agrarian movement and the participation and rights of women need to be taken into consideration in order to strengthen the Jharkhand movement. They are not matters to be left for afterwards. Rather ignoring them will only weaken the movement and jeopardise its long term prospects.

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'We Demand Our Rights'

Refugee Women's Long Journey

The processes by which the women workers in the so-called production-cum-training centres run by the Delhi administration are being made into refugees for the second time in their lives are but a reflection of the larger trends at work in the country's economy and polity

SADDA HAK ETHEY RAKH 'We demand our rights', was the slogan of the 300 women, who went on relay hunger strike and dharna from April 6 20 outside the house of the home minister Buta Singh The women are all piece rate workers who work in the *silai* centres (officially described as production cum training centres) run by the Delhi Administration They were agitating among other things against the threatened closure of their Centres The dharna in the scorching heat of Delhi's summer was an extraordinary sight Many of the women were above sixty Some of the women had walked from their homes in far off places in the city to Buta Singh's house and they did this every day of the dharna But perhaps what was more striking is their background Many of the older women were forced to abandon their homes in West Pakistan and came here during partition or *batwara* as they refer to it They were among the 4 9 million refugees who came to live in India in 1947 48 Rendered homeless wave after wave of migrants flowed into their new homeland, their new nation Many like these women lost their husbands children families and more often than not all their possessions

The experiences of these women, both individually and collectively, with India's development is a chronicle of the insensitive and undemocratic functioning of our democratic institutions But their travails and struggles are also a reflection of the strength and spirit of our people that keeps our democracy alive This report seeks to document the process by which the refugee women from Pakistan, four decades later reached the house of the home minister of independent India

I

In the nineteen production cum training centres spread across the city of Delhi, there are at present about 300 piece rate women workers Many of the senior workers among these were refugees At their native places they belonged to diverse backgrounds, some from Sind and Baluchistan but mostly from West Punjab, and from different castes of Hindus and Sikhs Their families were engaged in diverse occupations ranging from a fairly well off owner of a steel furniture shop in Gujaranwala, to petty traders in Lahore city and to a small cultivator in a village near Lahore The common thing that binds them together was that they were all victims of the *batwara* and they are all women Eighty year old Veeranvali still working in the centre at Kalkaji, came from Adi Naroli village (district Jhelum) in a foot convoy During the partition over one million such people reached in 24 foot convoys that took eight to twenty days to reach their destination Devi Bagya, whose husband owned a *kirana dukan* (grocery shop) in Karachi came later From Karachi the mass migration began only after the first major riots in January 1948 Divya escaped with the help of her brother in law who worked in the police and reached Jodhpur After three months in Jodhpur and a few more at Jhansi she reached Delhi But she joined the Kalkaji Centre only in the early sixties Premavati whose cultivator husband was killed in the riots in a village Kana Kacha, near Lahore, came with her three year old son and joined the Centre at its inception Her son now lives separately and she is self dependent Sheelawati from Toba Tek Singh, with her husband and infant children reached Attari, the frontier station, by train She stayed for a month in the camp at Kurukshetra The camp city at Kurukshetra, then a vast expanse of land between Karnal and Ambala was the largest camp of the time At its peak it housed 3 63 lakh refugees From Kurukshetra Sheelavati reached Delhi Her husband was already a chronic patient of tuberculosis He was admitted in the TB hospital at Kingsway camp where he died after years of illness In the meantime Sheelavati admitted her children in the government run home at Jullundar and joined the Centre in 1952 Rukman came from Lahore in 1947 and lived as a destitute on the pavements of Delhi for some years before she joined the Centre at Chandni Chowk, where she still works Ranjit Kaur was in her teens when she came, with her father, from Lyallpur The canal colonies of Lyallpur were the source of the largest caravan of refugees, consisting of four lakh people, that trekked its way along the 150 mile road to East Punjab Ranjit Kaur, having studied only up to fifth standard and that too in Punjabi medium, was not eligible to join the training courses offered at the Centre in Connaught Place to which her father took her But soon, through private study, she became qualified and joined as a trainee in 1955 Today she is the principal of the Chandni Chowk Centre! At the other end of the spectrum is an old woman She must have been in her forties at the time of the partition During the riots her daughter sons and their wives jumped into the well in their house and committed suicide She came here, all by herself and eventually joined the Centre at Hudson Lines Kingsway Camp But two years ago in 1986 the Centre was closed down, as the barracks at Hudson Lines were demolished as part of DDA's city improvement programmes Some of the older women at the Centre got themselves transferred to the Centres at Lehna Singh Market Malka Ganj and Indira Nagar Azadpur But by then this woman had begun to lose her eyesight, having been engaged in stitching uniforms over long years eight hours every day She also became too old to travel to any of the centres even within north Delhi after her own Centre was closed Today she is bed ridden without any financial help from the government for which she worked for 37 years

Altogether by 1951 about 1 75 lakh refugees came to settle in Delhi city, excluding the trickle that continued for a few more years About 40 per cent of them were women The measures initiated for the rehabilitation of refugees by the ministry of relief and rehabilitation that was set up in September 1947 were understandably *ad hoc* in their nature given the magnitude of the problem Transit camps, relief centres rehabilitation homes vocational and technical training centres were all part of these measures which eventually led to the more systematic production cum training centres

II

These Centres came into existence in February August 1948 To begin with, there were about 8 Centres all in Delhi, with about 441 women workers Meanwhile the concerned ministry itself was reorganised on a more sound footing Its name too changed to ministry of rehabilitation (1949) The Centres, which were then under the director general of resettlement and employment were transferred to the department of rehabilitation, Delhi administration Soon they became very popular By 1951, for instance, there were 13 Centres with about 1,880 workers In some of the newly set up Centres, the women were expected to bring their own

sewing machines Their monthly earnings in the early fifties ranged from Rs 12 to Rs 50

Over time, however, the composition of the women workers in the Centres seems to have changed A number of women from UP, Rajasthan, and Delhi itself who were not refugees, also began joining the Centres The middle aged among the present workforce are generally not displaced people from Pakistan Among the Centres we visited workers from refugee families numbered 15 out of 22 women in Shankar Market Centre 8 out of 15 in Lehna Singh Market Centre 9 out of 15 in Kalkaji Centre and only 5 out of 15 in the Centre at Chandni Chowk Some of the older women have died while a few may have found better opportunities in private tailoring agencies But since private agencies usually prefer as one of the women told us *kunwari ladkiyan* (unmarried girls) the option was clearly not available for all of them Nor did they have financial resources to set up their own firms In any case presently only about 220 225 women out of a total of about 300 women are from refugee background The passage of time it appears, has erased the finer distinctions between refugee women from Pakistan and destitutes generated by independent India

The chequered administrative history of these Centres reflects both their changing character as well as the government s own ambivalence towards them In 1957, the 13 Centres with about 900 workers were transferred back to the central government ministry of rehabilitation But the western wing of the ministry was closed down in 1960 and the Centres were then transferred to the ministry of works and housing they then moved to the ministry of labour and finally to education and social welfare They were with ministry of social welfare till 1974 At that time there were about 19 Centres with 1 075 workers Their average monthly wage was in the range of Rs 45-400 in this period

But in 1974 they were transferred back to Delhi administration, under whose authority they presently rest Thus in the last forty years, the administrative control over these Centres changed twice from central to state government, and within the central government they changed four ministries while within the state they changed two departments

But at the field level, there were not many changes, except perhaps stagnation and decay Each Centre is headed by a principal, usually a woman, a master tailor, usually a male, and one or two teachers Including those in the central cutting centre, at Lajpat Nagar, these technical personnel number about a hundred They are all permanent employees of the government The principals are in the pay scale of Rs 340-800 while for the teachers the scale is Rs 220-550, equivalent to the UDC and LDC scales of the Third Pay Commission The chequered administrative history of these Centres seems to have made them step children of the Delhi administration But the same is not the case with the peons and attendants who are transferable to any other wing of the administration, and who are receiving the revised scales

Initially although almost all the Centres offered training the emphasis was on production Now the focus is shifting somewhat from production to training Presently the Centres offer a short duration non certificate course, a one year certificate course and teacher training course In all about 2 100 girls in non diploma course and 260 women in other courses received the training in 1988 89 In three Centres new courses in typing, shorthand secretarial practice, and beautician s course have been introduced Some of these courses are also affiliated to the Technical and Training Directorate Gradually the Centres seem to be on their way to become some sort of women s polytechnics which is a source of anxiety for the workers in the production wing

The main work of the production wings of these Centres where most of the refugee women are employed right from the beginning consisted of stitching liveries for the employees of government and other public enterprises But in between there was also some amount of production for sale The production of fine embroidered linen readymade garments and handicrafts for sale was related with the establishment of the famous Refugee Handicraft Shop in Connaught Circus in 1956 For a number of years the shop was run on a commercial basis and it generated considerable profits Located in a rented place in L block, it faced a crisis when the owners pressurised the government to vacate the premises presumably because of the increase in the real estate value of the shop in the prime shopping complex of the city After a fruitless existence at Khan Market for two years the shop was shifted to the premises of the production cum training centre at Shankar Market For the women, this meant a reduction in their working space against which they agitated But in any case the shop could not make any headway From a turnover of Rs 7 72 lakh five years ago the sales came down to Rs 3 68 lakh last year Presently all fresh production and supply is at a standstill and the government is disposing of the existing stock at heavy discounts, with a view to closing down the shop altogether The decline of the shop also reduced the volume of work for these women in the Centres

The major source of earnings for these women has always been stitching uniforms for the third and fourth class employees of the central government, and other undertakings like post and telegraphs, DTC, DESU, etc Bulk orders from these organisations, in times past, provided them with enough earnings to make a decent living But from about the mid seventies the work got privatised Private tailoring agencies, some of which were set up by the retired master tailors themselves, bagged the contracts In seasons when the work is very low, the women are allowed to work on private orders or small time jobs from their neighbourhood in the premises of the Centre itself For this the Centre charges them (and continues to do so in case of any private work) a commission of 20 per cent for such work

But in any case this private work was not their major source of earnings Their wages came from the work orders of the central government, that remained with these Centres But for some years now the employees federations have been agitating for cloth and stitching allowance instead of readymade uniforms Presumably it ensures better fitting uniforms and perhaps adds some extra amount to their meagre cash incomes This year the government conceded their demand In effect it has meant stoppage of an already declining volume of work And on March 4 this year the department of personnel ministry of home informed its decision in a circular to all the Centres Hence the dharna at the house of the home minister

III

The organised struggle among these women in a rudimentary form originated in the Shankar Market Centre It was at their own initiative and was led by one of the senior workers In 1977 they held for the first time a demonstration at the office of the directorate of the rehabilitation services Delhi administration (Jamnagar House Shahjahan Road) Their demands in the initial stages were related with wages

The convoluted system of wages for these women as it evolved over time, reflects the authoritarian structures that govern their working conditions First, the department of personnel sets the standard rates for stitching the suits, varying according to the cloth and type of the suits Then it awards the contract to these Centres The volume of work thus awarded, however, has no definite pattern For instance, the total bill fluctuated anywhere between Rs 3 lakh and Rs 9 lakh per annum throughout the period from 1965 to 1974 when the rates remained practically the same. Obviously someone somewhere in the bureaucratic labyrinth decides what proportion of the total volume of the work should be awarded to these Centres There are no prescribed quotas or set

guidelines After the award is made, the cloth is collected from different offices and enterprises at the central cutting centre in Lajpat Nagar from where, after cutting, it goes to all the nineteen Centres The guideline here is that the work should be distributed equally among all Centres and all workers After the stitching, the bills are prepared on a monthly basis Till a few years ago the government deducted 25 per cent from the total amount due to the workers for the use of its Centres But that is not the end of the story

The women have to bear the expenses for accessories such as buckram zippers cloth lining etc According to the administration these costs are included in the rates fixed But in the perception of the women this expenditure forms too high a percentage of the amount paid to them and therefore cuts down on their actual earnings In fact, we feel the situation is much more complex Given the variety of garments and the other things that the women stitch no pre fixed wage can include the actual expenses incurred by the women For example unlike the rates that remain fixed for years the costs of accessories are subject to frequent increases In any case according to several women not all the rates for the different items allow for the inclusion of costs Often whether or not costs are included depends on the nature of the relationship with the master tailor or the principal Given the arbitrary nature of this entire system after the different deductions and expenses have been made actual wages work out to much less than the women's due Needless to say the rates fixed by the home ministry are noticeably lower in any case than market rates

In the first agitation in 1977 they demanded abolition of the 25 per cent deduction (towards the Centre's charges) and increase in the rates Under pressure from the agitation the government suddenly 'discovered that the women had actually been entitled to higher rates since 1974 So the government conceded only what it had been legally obliged to do four years ago But on the real question of abolition of the commission there was silence More important than their immediate gains and losses was that the agitation enabled the women to get to know women from other centres who had hitherto been unfamiliar to them The 1977 struggle laid the seeds of a more organised trade union

Thus in 1982, the Social Welfare Mahila Karmachari Union came into existence Led by the CPI(M) leader, Primilla Pandhe, it is affiliated to the Centre of Indian Trade Unions (CITU) One of the first agitations of the union was concerning the Refugee Handicraft Shop Later in December, the women workers held a seventeen day dharna at Jamnagar house, demanding abolition of the 25 per cent deduction, increase in rates, regularisation of service, and old age pension

The government consistently rejected the demand for the regularisation of service of these women on the grounds that they were piece rate workers who do not have a continuous service with the government The frequent and farcical administrative changes mentioned earlier complicated their case further The government holds that the nature of their work is of temporary and casual nature and hence they can only be piece rate workers As a matter of fact the status of casual temporary and contract workers within the formal organised industry, especially public sector has been a source of many militant struggles and legal battles Railways post and telegraphs coal mines transport services have all had this component of the workers In 1974 in a pioneering judgment in the case of railway workers the Supreme Court held that while laying down a particular railway line may be a job of temporary nature laying down railway lines in general for the Indian Railways is a permanent job and thus declared all the casual railway construction workers hitherto employed on piece rate basis as permanent employees This legal precedent should have been made applicable to these women But it seems they have been denied it as the government has treated them not as workers but as recipients of its patriarchal benevolence In this context we may recall that the Centres were once briefly under the ministry of Labour before they were condemned to the category of social welfare

After a seventeen day dharna in 1983 the government rejected the demand for regularisation of service and old age pension but conceded the wage related demands and abolished the 25 per cent deduction and also increased the rates After the struggle the earnings of these women improved However, from around the same time the volume of the work began to fall According to the women this was a punitive measure directly related to the struggle In any case the bulk of the work relating to uniforms from most of the public enterprises stopped However other kinds of work, like bags for the postal department and aprons for hospitals, continued to trickle in But the women complain that these kinds of orders, demanding more strenuous work, get them very little The net wage for stitching a postal bag for instance, is just about Rs 3 More importantly, the volume of the government's own orders came down The situation seems to have worsened during the last year or so when a marked preference for privatisation informed the government's policies Thus, despite an improvement in their wages, their earnings, presently an average of Rs 300 a month, remained practically the same The recent circular announcing the government's decision to grant cloth and stitching allowance in cash to the employees thus sounded like a death knell in many Centres where the earnings dropped to about Rs 140 The union conducted its dharna against the threatened closure of the Centres The other major demand was old age pension

At the end of their fourteen day dharna the government gave them a written assurance that the Centres will not be closed down But we fail to understand the meaning of this assurance Already Centres are on the decline In Kalkaji the present Centre is only one third of its original space area in Shankar Market it is half while in Lehna Singh Market it is about three fourths of the original space area The fact that the real estate value of these premises has increased manifold seems to be one of the contributory factors This is evident not only in private owned premises like the Malviya Nagar Centre (whose present value we are told is about Rs 20 lakh) and Lehna Singh Market but also in the case of Centres where the government itself is the owner Plans are afoot to build new structures both in Kalkaji and Lajpat Nagar We have already noted the shifting focus towards training and the decline in the volume of the work The number of workers we should recall came down from its peak levels of 1 500-1 800 to the present 300 In the absence of any measures to increase the volume of the work the assurance is likely to lose its meaning What the government should ensure is the volume of work

The government also conceded the demand for old age pension But the operative element of this agreement also raises a host of questions For example the case of those who stopped work in the last few years and are presently not on the rolls, like the old woman from the demolished Centre at Hudson Lines mentioned earlier, is left unclear In any case, of the Rs 200 per month conceded (in place of Rs 300 demanded) Rs 100 is to be part of the wider central government scheme for old age pension whose eligibility conditions these women have to satisfy in the first place The other half is to come from the discretionary funds of Delhi's lieutenant governor Assuming all the hundred women past the age of sixty become eligible for the pension the expenditure per annum for the government works out to be Rs 2 4 lakh a year, to be shared equally between the central government and Delhi administration We may note here that this amount is a pittance for the state, for it is about ten per cent of the real estate value of just one Centre

But yet Rs 200 per month as pension

is a significant gain for the women They have won one more battle and for the present the dharna is withdrawn It should be recalled that the demand for the abolition of the 25 per cent deduction in the 1977 agitation was conceded in the 1983 struggle while their demand for old age pension in that struggle is conceded in the 1989 dharna Perhaps even the authorities have been forced to acknowledge that these women cannot be silenced As an administrator grudgingly said *in auratan da moon kaun band kar sakda hai*

IV

The struggle of the women workers of the production cum training centres given this long journey has more things to it than those reflected in their immediate demands and their monetary significance For they worked hard against unfavourable circumstances both at their workplaces and in their homes

The most striking thing about their work conditions is that they are subjected to all the formal rules and regulations that time rate workers are usually subjected to These include fixed eight hour daily schedule, six day week attendance register and monthly payment But needless to add they never received any benefits of regular workers

At the Centres no arrangements were ever made for creche facilities The machines they work with still remain the hand operated sewing machines the oldest model that was introduced in the twenties The women have to sit on the floor, bending for hours together The work is tough on the body and, with some of its detail, hard on the eyes Almost all of the older women we met are suffering from eye problems In Lehna Singh Market, an old woman in her sixties stitches with the help of only one eye Electrification of many Centres took place only in the sixties Yet even now lighting in some of the Centres is poor In some Centres the space is also congested The relations between the piece rate workers and the staff appear to be generally friendly, perhaps because some of the staff themselves share the same refugee background as these workers But relations may at times be tension ridden In one Centre we found that the master tailor used to deny the women entry even if they were late by five minutes He would also frequently hurl abuses at them In another Centre, the principal herself is a source of continuous friction In fact any rigid hierarchical structure becomes more authoritarian in the case of piece rate workers, especially if they are women These women workers struggled against these kinds of circumstances, and established themselves Perhaps the nature of the production organisation, a half way house between home industry and factory, also helped them to survive. For such an organisation and the space it provides also helped them to forge more human bonds among themselves In the absence of creches they take care of each other's children They help more fragile and older women by sharing their burden In Lehna Singh Market we found two women themselves in their sixties who sometimes share their earnings with another older woman who can no longer walk to the Centre The Centres thus also provide them a source of strength to survive collectively their individual hardships The women have come to value their collective strength whose best reflection was the dharna that we visited

But theirs is not only a collective battle but also a struggle at the individual level with their family circumstances Most of them have had their homes shattered and lives battered And this does not apply only to refugee women Some of the other women also have practically no men to depend upon A sixty year old woman we met in the Malviya Nagar Centre for instance had two sons who now live separately while her husband is a chronic alcoholic She has worked in the Centre for the last three decades Another woman who has been working for twenty five years was deserted by her husband She brought up her sole child a daughter who is now married and lives separately Their earnings even when they are meagre mean a lot for them In fact this is the case with some of the young and middle aged women presently working in the Centres We found, in our visits to their homes that the extra income for the lower middle class family is important for their survival The monetary significance of the earnings may not be much in the case of some of the older women whose children are relatively well settled The earnings or pension here, represent their hard won self respect For the social attitudes towards old people, especially women within the family are not always sympathetic in our environment Some of the older women talked to us about the treatment they get from their sons and daughters-in-law Thus the earnings of these women workers have both a monetary significance and a cultural importance But women, especially those from such background as these women, often become the 'ideal recipients' of charity and benevolence from the patriarchs that govern our state and society A low self-image of the 'beneficiaries' is usually the product of such patriarchal norms But these women struggled against such images and norms Over the years they established for themselves a relatively decent life, brought up their children, and rebuilt their homes through hard work Their struggle against their family circumstances thus is closely linked with their status and struggle as workers It is this simultaneous struggle both at home and the workplace that enabled them to acquire a self respect When we visited the dharna, these *buddis* (old women), as one of the women said appeared to be proud that *is umar me bhi ham sadkon pe aaye hain* (even at this age we have come on the streets)

In sharp contrast it is our democratic institutions that have failed them The maze of bureaucratic wrangles in which the Centres lost their way and the consequent insensitivity the irrationality of the system that makes their earnings remain the same even when their wages are increasing and the corruption involved, the illegality of the government's refusal to regularise their services and the impunity with which it has got away with it, the privatisation that is now afflicting the Centres—all establish in a revealing manner the failure of our institutions In turn, these trends are but a reflection of the larger processes at work A development strategy that marginalises more people than it employs a ruling elite that loots more than it produces a bureaucracy insensitised by its own procedures a polity that becomes more authoritarian as it becomes more corrupt and the patriarchal norms that inform all these institutions and programmes are part of a wider process by which these women workers are being made into refugees for the second time in their lives

But these women no longer consider themselves as refugees or destitutes looking for charity and benevolence but as workers who rebuilt their homes and lives in the process of producing for the government An old lady, who appeared to be in her seventies, told us how she used to carry her sewing machine on her head from Nirankari colony to Lehna Singh Market, a distance of four kilometres, everyday for four years Not only that the bus ticket (ten paisa in those days) was expensive for her but it was also difficult for her to get into the bus with the machine on her head It is these kinds of experiences that made the common refrain among them, *ham bheekh nahi mang rahe hain* (we are not asking for charity) In that sense their fight is a fight for the right to live with dignity, that forgotten rhetoric of the freedom movement with which their story began Democratic sections of independent India owe them support and solidarity

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Tiananmen and the Uncertain Legacy of Reform

B Gopalakrishna Kumar

Events of the past few weeks have shown that despite the glib talk of reform, the Chinese political system remains an odd mixture of discredited autocrats and confused modernisers, incapable of any but the crassest response to a genuine challenge to its authority The ultimate tragedy in the events of June 4 and thereafter may therefore be to preserve the notion—comfortable to those currently in power in China—that economic progress without political reform is possible

AFTER a weekend of brutal carnage on June 3-4, and elaborate follow up operations the Chinese army now seems in full control of Beijing city and is moving rapidly to quell agitations in the provincial capitals in similar fashion Rumours of a split within the PLA and the prospect of a protracted civil war now seem much less credible than they once did at the height of the turmoil Numerous arrests and a systematic and ruthless policy of liquidating any individuals seen as spearheading agitations appear to have successfully cowed down any further protests

Despite the immense cost in terms of lives lost not to mention the loss in the international standing of the country the crackdown would seem to have achieved its primary purpose from the point of the regime to eliminate an alternative source of power within society and to consolidate the position of the current trio in power Deng Xiaoping Li Peng and Yang Shangkun This process reached its natural culmination with the recent dismissal and humiliation of the party leader Zhao Ziyang, and the appointment of the Shanghai party boss Jiang Zemin as general secretary

There is every reason to think however that this will only be a temporary reprieve for the government To begin with none of the elaborate disinformation currently being fed through radio and television regarding the nature of the movement and the bloody response to it can hope to convince the mass of the Chinese population who lived through April and May Popular disaffection with the nature of the regime currently in power is such that fresh protests are bound to spring up at some time in the future Even more important the authorities are now so dependent on terror and sheer force of arms and the institutional basis for party rule so weak, that some sort of overtly political role for the army now looks a distinct possibility An authority on Chinese politics Roderick MacFarquhar recently raised this question when (writing even before the army crackdown) he remarked 'The army is one of the twin pillars of the communist revolution and it retains an institutional credibility long lost by the Communist Party each time China's civilian leaders have called on the army in the past, the step has posed the threat of the army assuming a dominant role in party councils If so a substantial change in the shape of Chinese politics which may have rather important implications for the progress of the reform policies so assiduously followed by China's post Mao leadership may well be in the offing

In fact among the many images of protest that emanated from Tiananmen Square in the heady weeks before June 4, along with the majority which concerned the essentially political demands of the student movement and reflected the declining legitimacy of the current Communist Party leadership among the younger generation in the country, a few did articulate more fundamental issues related to the vast changes that have swept Chinese society in the last decade and it is important to appreciate these to see the current situation in perspective Problems like corruption growing disparities and unemployment figured prominently here That this should have been so underscores some serious difficulties with the reform programme

Despite a number of achievements against very heavy odds in the forty years since Mao Zedong's accession to power the Chinese economy has been dogged by poor performance and inefficiencies in a number of critical sectors and these came to a head in the mid seventies, a period that saw the death of both Mao and Zhou Enlai and the accession of a new group of politicians to power

The emphasis on regional self sufficiency in foodgrain production and the neglect of prices as a regulatory mechanism had seriously distorted the pattern of agricultural production although it had to an extent succeeded in controlling regional disparities in consumption In addition the manifest need to push up the rate of economic growth had resulted in a chronic tendency towards overinvestment (sometimes referred to in writings on eastern Europe as 'accumulation bias' in socialist economies) and to a decline of emphasis on current consumption needs Indeed it is not often realised that the Chinese economy of the immediate post-Mao period was providing living standards not markedly different from those of the mid fifties (Carl Riskin, *China's Political Economy*, OUP 1987) By the time of the famous central committee meeting of 1978, it was clear that some far reaching changes in economic management were in the offing

The reforms in the period since the late seventies aimed principally at reducing what was seen as the overbearing function of central authority in economic management A greater role for the price mechanism as opposed to quantitative control was therefore envisaged In agriculture, this implied a gradual dismantling of the commune system and a substantial increase in farm prices as a means of stimulating economic incentives It also meant an end to the policy of centrally directed local self sufficiency in grain and the encouragement of diversification and specialisation in agricultural production In the industrial sphere the reforms saw an expansion of local level autonomy, with enterprise being allowed to keep a share of profits and to exercise more authority over production and supply decisions Complete quantitative control on supplies of some important intermediate goods like steel was replaced by a two tier regime which emphasised both price and quantity signals Finally and concomitantly, on the international front, the eighties witnessed a steady increase in China's participation in the international economy and a great willingness to import sophisticated foreign technology as a means of industrial upgradation and modernisation

Despite the fact that a number of these policy changes were conceived and executed in haste the macro economic performance of the Chinese economy saw a marked improvement in the decade since the reforms underlining both the effect of incentives and the extent of previous misallocation of resources The success of the reforms was particularly evident in agriculture where the incentives given to production gave quick results A commonly used measure of agriculture performance the gross value of agricultural

output, grew by 9 per cent per year between 1978 and 1984 a higher growth rate than for any previous period and this boom has lasted till the very recent past in which some difficulties in maintaining agricultural production have set in (*Beijing Review* May 1-7 1989) Agricultural growth was accompanied by a diversification of rural activities and in particular a noticeable increase in the expansion of the so called indefinite rural industries which have proved very important in generating rural incomes

Industrial growth for the period 1979-85 averaged 10 per cent per annum This was respectable but by no means outstanding unlike in the pre reform period however much of the increase came from light industry in line with a policy of curbing the excessive growth of heavy industry The reforms were on the other hand much less successful in improving efficiency and in curbing duplication and waste economy wide An indication of this relative lack of success is that labour productivity in state enterprises has hardly showed any improvement in the last decade

On balance however in terms of the impact on income and living standards these continuing inefficiencies mattered much less than the spectacular progress in agriculture In fact it is probably a structural feature of the Chinese economy that agricultural growth has a much more proximate impact on rural consumption levels than industrial growth has on urban incomes Thus in the ten years since 1978 while consumption levels of the whole population rose steadily rural consumption levels recorded dramatic increases indeed they more than doubled between 1978 and 1984

This trend however had a number of less palatable consequences unintended though perhaps inevitable and the increase in rural urban disparities is but the first of these A look at the recent trend in earnings shows why this should be such a live issue in China today Currently a university professor might get 200 to 300 yuan a month an agriculturist on the other hand could get ten times as much and so could a trader The widening gap between town and country and further between the petty bourgeoisie and the bureaucratic elite has featured prominently in Chinese debates in the recent past and there are indications that the celebrated Dengist snub to Mao's egalitarianism—'everyone eating from the same pot'—may itself have been disowned

Whatever the status of these debates there is little doubt as to the further effects of the vastly improved purchasing power of previously low-income consumers Pressure on the availability of current consumption goods increased dramatically, and, correspondingly, incentives to produce these also expanded While in theory it would have been possible under the earlier planned regime to control the production and availability of these consumer goods, in a decontrolled system, production was determined more by the incentives given by market signals A further effect was to fuel competition for raw materials and encourage the diversion of scarce resources away from other sectors to production of consumer goods thereby also increasing import requirements

To weather all this without unbalancing the economy would have been a signal feat for any society and it is no surprise that China did not quite manage it Infrastructural bottlenecks became increasingly severe throughout the eighties as did shortages of important raw materials More importantly price inflation hitherto remarkably stable and moderate began to rise After a decade of upward pressure the inflation rate touched 30 per cent in the first half of 1988 sparking panic buying and endemic shortages of key items by 1989 the inflation rate had only moderated to 27 per cent

With salaries staying well below the price of price increases, inflation hit the urban workers and intelligentsia hard and merely served to heighten their sense of disparity and their disillusionment with the effects of reform Also and equally importantly against the background of selective liberalisation, rising prices gave a further fillip to corruption and speculation phenomena already latent in Chinese society While inflationary price expectations naturally encouraged hoarding a regime of partial quota allocation (as opposed to a fully planned one) made it easier for bureaucrats and politicians to extract their share while allocating important resources The American political scientist Michel Oksenberg has commented that high officialdom is the first to enjoy the fruits of modernisation Arrogance corruption and abuse of office in China and elsewhere afflict a bureaucracy removed from those it governs" Such tendencies survived and even prospered under the new dispensation

Finally, the change in the style of economic management and the restructuring of industrial enterprises had a further consequence for China's growing labour force This was to increase the number of people who could not be absorbed and hence remained unemployed It is evident that the worst hit category would be the school leavers and recent graduates from China's numerous colleges of higher education and that this would only add to the feelings of frustration amongst the younger generation in the country An official report in *China Daily* recently admitted that the unemployment rate this year will rise from the average 2 per cent of the last five years to 3 5 per cent, and there are indications that the rising trend could be maintained in the years to come

Inflation and related economic worries on the one hand, and corruption and loss in political legitimacy on the other, both attest to the difficulties associated with rapid economic change in a society as vast and as complex as China It is possible in fact that the very success of the reforms in terms of faster growth and increases in incomes would have masked the less appealing aspects that were to follow Also what the recent past in China has indicated is that economic changes rapidly bring in their wake disparate social forces and new political aspirations Absorbing these requires a political system that is much less rigid and a political culture that is much more in tune with the reality on the ground Events of the past few weeks have in fact shown more starkly than at any other time that despite the glib talk of reform the Chinese political system remains an odd mixture of discredited autocrats and confused modernisers incapable of any but the crassest response to a genuine challenge to its authority The ultimate tragedy in the events of June 4 and thereafter may therefore be to preserve the notion comfortable to those currently in power—that economic progress without political reform is possible

Mathura
The Cultural Heritage

edited by
Doris Meth Srinivasan
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2/6 Ansari Road Daryaganj
New Delhi - 110002

No 'Counter-Revolutionary Clique'

A Special Correspondent

Now we know that the Chinese emperor has no clothes Whatever they may say about the nature and inspiration of the student movement, the authorities will not be able to return China to what it was before June 4

TAIWAN It is very difficult to cover an event like the Tiananmen massacre from distant Taipei even though the vision of the square remains so strongly in one's mind that one can almost see the event as it occurred The June 16 copy of *Asiaweek* has some marvellous pictures of the advancing soldiers on Changan avenue bearing down in full battle array on hundreds of abandoned bicycles whose owners totally unarmed have already been shot at and have fled for safety That same magazine also has an hour by hour description of the various events of those 24 hours But *Asiaweek* is not unique in its coverage The TV programmes have for the most part been very detailed and crowds in public places have gathered around TV sets at news times It is said that there have been over a thousand reporters or news gatherers in Beijing and it has been almost totally impossible to prevent news being immediately relayed outside China There have been no restrictions on the use of overseas telephones and over most of China in the larger cities students have broadcast news about China from overseas through public address systems For example in Changsha a huge public meeting was held almost immediately after the Beijing incident fuelled by broadcasting the information from the Voice of America The national controlled broadcasting media do not have a chance today How was it possible to talk about the 'counter revolutionary clique' when one could see with one's own eyes that for the most part they were totally unarmed civilians? In spite of this however one can see that the soldiers were in many cases frightened at the false information on which they were fed One soldier who shot an unarmed woman with her baby was literally torn to pieces by the woman's two brothers who were nearby Soldiers who realised that they had for the most part been deceived and that there was no counter revolutionary clique, did not automatically feel that they should fraternise with the population The first lot of soldiers who 'tested the waters' unarmed had guns stored in their tanks and armoured cars to use if necessary

Let me now deal with some of the general points which can be seen from these events Firstly, it is clear that there is no student organisation' with a common political standpoint Delegates who came to the square from their own universities could remain or return as they wished They had no instructions The government will not find a leadership or organisation The 41 wanted photographs on TV are individuals not part of a conspiracy

Secondly, not all students had the same idea about how to achieve more freedom While they were certainly anti government especially against certain individuals they did not have any other country as a model which they wished to emulate They most certainly did not regard Taiwan as an alternative and they refused to receive any money directly from Taiwan if they knew its source

Thirdly I do not think that anyone conceived that troops would be called out at all within the boundaries of Beijing Conscription to the PLA has been abolished well over ten years ago and there is a strong competition in rural areas to get nominated by the local rural committee to join the army The common soldiers are much more sophisticated than was formerly the case and I doubt whether an illiterate person could possibly be nominated On the other hand they do not come from any elite (as for example one could regard the citizens of Beijing as an elite or university students as an elite) This would tend to make them more compliant to the orders of their commanders One knows less about these commanders today however and the units are not organised on a personal basis as used to be the case One cannot say what their attitude would be if they were ordered to fight other units recruited from different provinces, as the provincial characteristics (and languages) are certainly not so important now as previously when it was the eighth route army

The position of an army unit today is very different from that of an airforce or navy unit for it is extremely likely that most present day armies will be used to fight against the country's own citizens (Ireland Burma, Taiwan as in the 228 incident, China in Tibet during the cultural revolution India in Sri Lanka against Tamils, Indonesia, the list is long) What makes the Beijing incident important is that it took place in Beijing where tear gas has never been used and, as a Japanese commentator pointed out, there is no unit specialising in crowd control The security police also tried to use force during the Zhou Enlai funeral incident when a number of people were killed (Contrast this with the Japanese Mutual Security demonstrations when not one person was killed)

Poor brave students killed for an ideal which did not come off Now we know that the Chinese emperor has no clothes And this is due to the media and modern communications as well as to the actual actors themselves The Chinese government and the 65 year old Qiao Shi will never be able to return China to what it was before June 4

Tribeni Tissues

TRIBENI TISSUES has turned out impressive working results for the 15 month period ended March 31, 1989 On an annualised basis sales volume at 17,992 tonnes has been 11 4 per cent higher than 12 924 tonnes in the previous year An enriched product mix led to a net turnover of Rs 51 23 crore an improvement of 26 per cent over Rs 32 45 crore in the previous year Product volume at 17,527 tonnes was 11 per cent higher than 13,009 tonnes in the previous year Capacity utilisation during the period has been 104 per cent Profit margins have widened significantly with the result that profits at the gross and net levels have more than doubled at Rs 5 crore and Rs 2 07 crore compared to Rs 2 41 crore and Rs 1 02 crore respectively of 1987 Dividend has been stepped up from 12 per cent to 22 5 per cent which is covered 1 15 times by earnings as against 1 05 times previously The company had to depend to a considerable extent on the use of imported wood pulp, prices of which have increased rapidly during the past 15 months leading to an import bill of about Rs 11 crore The company has planned greater thrust on production of home pulp from jute and other alternative raw materials

The company has planned a modernisation programme envisaging technological upgradation of pulp mill and paper machines along with their support equipment and installation of a modern atmospheric fluidised bed combustion boiler and a turbine for cogeneration, at a capital cost of Rs 20 crore This will enable the company to improve its product quality, competitive standing and become self sufficient in energy The company has made an application to the government for endorsement of its licensed capacity at 33,000 tonnes per annum Export efforts have resulted in export earnings of Rs 127 lakh against Rs 24 lakh during the previous year

THE BANK OF TOKYO LIMITED

(Incorporated in Japan Liability of Members Limited)

CONSOLIDATED BALANCE SHEET FOR INDIAN OFFICES AS ON 31ST MARCH 1989 (January 88 March 89)

Previous Year RUPEES	CAPITAL & LIABILITIES	Rs P	Rs. P
	1 Capital		
2 85 00 000			
	2 Reserve Fund and other Reserves		7 03 000 00
1 55 17 94 616	3 Deposits and Other Accounts		1 73 67 76 132 55
	4 Borrowings from other Banking Companies, Agents, etc		
76 99 03 996			84 50 02 806 75
3 46 58 161	Bills Payable		3 30 48 186 61
	6 Bills for Collection being Bills Receivable as per contra		
11 72 89 070			11 37 85 490 75
12 44 34 542	7 Other Liabilities		16 81 23 774 12
	8 Acceptances, Endorsements & Other Obligations per contra		
68 53 81 377			75 94 85 288 82
3 81 19 228	9 Profit & Loss		1 20 85 536 44
3 96 15 80 960			[illegible]

Previous Year RUPEES	PROPERTY & ASSETS	Rs. P	Rs. P
	1 Cash		
36 74 72 157			27 56,40 546 74
	2 Balances with Other Banks		
1 23 01 747	In Current Account		5 29 43 389 60
		5 09 43 389 60	
		18 86 515 41	
		1 13 58 8 4 19	
	3 Money at Call and Short Notice		—
73 11 33 317	4 Investments		87 78 04 109 00
	64 18 00 000 00 / 64 17 50 900 00	63 48 16 79 00	
	29 85 000 00 / 0 19 375 00	7 48 685 00	
	94 [illegible] 6 600 00 / 54 09 48 652 00	4 09 38 632 00	
	5 Advances		
1 27 05 39 198			1 48 44 63 337 60
		1 10 27 88 995 61	
15 96 08 81		98 58 98 006 40	
4 90 58 466		8 87 76 335 59	
1 05 64 01 503		1 17 08 03 895 03	
14 85 69		21 94 69 790 82	
6 55 68 098		9 41 96 651 75	
1 27 05 39 198		1 48 44 63 337 60	
18 14 46 419	Carried forward		2 69 08 53 382 94

THE BANK OF TOKYO LIMITED

(Incorporated in Japan Liability of Members Limited)

CONSOLIDATED BALANCE SHEET FOR INDIAN OFFICES AS ON 31ST MARCH 1989 (January 88 March 89)

Previous Year RUPEES	CAPITAL & LIABILITIES	Rs P	Rs P	Previous Year RUPEES	PROPERTY & ASSETS	Rs. P	Rs. P
	10 Contingent Liabilities						
44							
4							
1 4							
					6 Bills Receivable being Bills		
				11 79 89 070			11 37 85 490 75
					7 Constituents Liabilities for Acceptances, Endorsements and other Obligations per contra		
				62 53 81 377			75 94 85 288 82
					8 Premises Less Depreciation		—
					9 Furniture and Fixtures Less Depreciation		
				94 83 874			98 15 328 00
				19 79 80 950	10 Other Assets Including Silver		9 50 70 785 53
					11 Non Banking Assets Acquired		
					12 Profit & Loss		—
							16 04

THE BANK OF TOKYO LTD

SHARP & TANNAN

THE BANK OF TOKYO LTD

Bombay 30th

THE BANK OF TOKYO LIMITED

(Incorporated in Japan Liability of Members Limited)

CONSOLIDATED PROFIT & LOSS ACCOUNT OF INDIAN OFFICES FOR THE PERIOD ENDED 31ST MARCH 1989 (January 88 March 89)

Inter Office(s) Interest

THE BANK OF TOKYO LTD
BOMBAY BRANCH

SHARP & TANNAN
CHARTERED ACCOUNTANTS
BY THE HAND OF

THE BANK OF TOKYO LTD
BOMBAY BRANCH

General Manager
Chief Executive Officer Indian Offices

THE BANK OF TOKYO LIMITED

(Incorporated in Japan Liability of Members Limited)

NOTES ON ACCOUNTS FOR THE 15 MONTHS PERIOD ENDED 31ST MARCH, 1989

AUDITORS REPORT

SHARP & TANNAN

Bombay 30th June 1989

AMERICAN EXPRESS BANK LIMITED

(FORMERLY AMERICAN EXPRESS INTERNATIONAL BANKING CORPORATION)
(INCORPORATED IN U S A WITH LIMITED LIABILITY)

BALANCE SHEET OF THE INDIAN BRANCHES AS AT 31ST MARCH, 1989

31 12 198[illegible] Rs	CAPITAL AND LIABILITIES			31 3 1989 Rs
	1 Capital			
	Approved Indian Government Securities deposited with the Reserve Bank of India Bombay under Section 11(2) of the Banking Regulation Act 1949			
3 80 00 000	6 Loan 1990		[illegible]	
	2 Reserve Fund and Other Reserves			
—	Statutory Reserve relating to Section 11(2) of the Banking Regulation Act 1949		2 [illegible]	
	3 Deposits and Other Accounts			
	Fixed Deposits			
—	From Banks	—		
1 52 23 37 904	From Others	[illegible]		
1 52 23 37 904			[illegible]	
2[illegible] 11 34 [illegible]51	Saving Bank Deposit		[illegible]	
	Current Accounts			
	Contingency Account etc			
3 38 09 932	From Banks	3[illegible] 36 1[illegible]		
66 64 65 432	From Others	[illegible]		
[illegible]0 02 [illegible] 364			[illegible]	
2 49 3[illegible] 48 019				[illegible]
	4 Borrowings from other Banking Companies Agents etc			
2 59 31 730	In India		[illegible]	
3 36 843	Outside India		—	
2 62 68 5[illegible]3				[illegible]
	Secured			
—	31 3 1989			
—	31 12 198[illegible]	—		
	Unsecured			
—	31 3 1989	[illegible]		
—	31 12 198[illegible]	[illegible]		
5 29 58 696	**5 Bills Payable**			[illegible]
	6 Bills for collection being bills receivable as per contra—Note 4			
13 41 35 065	Payable in India		[illegible]	
10 05 52 723	Payable outside India		[illegible]	
23 46 8[illegible] 788				[illegible]

31 12 198[illegible] Rs	PROPERTIES AND ASSETS			31 3 1989 Rs
	1 Cash			
	In hand and with Reserve Bank of India and State Bank of India including Foreign Currency notes			4[illegible] 06 98 [illegible]96
	2 Balance with Other Banks			
	On Current Account			
[illegible]	In India		54 63 47 193	
[illegible]	Outside India		32 36 341	
[illegible]				54 95 83 534
—	**3 Money at Call and Short Notice**			—
	4 Investments			
	(i) Securities of the Central and State Governments and Other Trustee Securities including Treasury Bills of the Central and State Governments			
[illegible]	at book value		1 [illegible] 47 1[illegible] 312	
	Quoted At Cost			
	31 3 [illegible]	1 [illegible] 31 [illegible] 000		
	31 12 198[illegible]	1 [illegible] 36 48 [illegible]		
	Market Value			
	31 3 198[illegible]	1 [illegible] 01 84 109		
	31 12 198[illegible]	[illegible]		
	(ii) Fully paid Equity Shares at cost		[illegible]	
	Quoted Market Value			
	31 3 1989	58 98 025		
	31 12 198[illegible]	42 [illegible] 375		
[illegible]	(iii) Debentures and Bonds		25 00 000	
	Quoted At Cost			
	31 3 1989	25 00 000		
	31 12 198[illegible]	25 00 000		
	Market Value			
	31 3 1989	24 [illegible]5 000		
	31 12 198[illegible]	24 [illegible]5 000		
—	(iv) Other Investment		9 06 12 [illegible]90	
	Units of Unit Trust of India at repurchase price			
—	(v) Gold		—	
[illegible]				1 88 12 58 855
	5 Advances (See Annexed Schedule)			
	(Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)			
	Loans Cash Credits Overdrafts and other sums due to the Bank			
13 46 20[illegible]	In India		1 92 10 24 5[illegible]0	
—	Outside India		—	

	7 Other Liabilities		
[illegible]	Accrued Expen[illegible]	[illegible]	
4 40 41 9 88	Unexpired discounts	[illegible]	
	Others including due t[illegible]		
	Amexco Nominees Pvt Ltd		
1 06 35 4(2	a subsidiary company	[illegible]	
	31 3 1989 Rs 1 000		
	31 12 1987 Rs 1 000		
	Due to Head Office and		
3 33 31 354	Foreign Branches — Net	[illegible]	
—	Inter branch adjustment — Net		
	Travel Related Services		
1 4[illegible] 48 [illegible]84	Division Net	[illegible]	
8 16 48 524	Liabilities as per contra	[illegible]	
39 [illegible]1 30 [illegible]10			[illegible]
	8 Acceptances Endorsements and other obligations as per contra		
1 [illegible]7 46 39 646			[illegible]
	9 Profit and Loss Account		
	Pro[illegible]t as per last Balanc[illegible]		
3 99 [illegible]9 5[illegible]6	Sheet	[illegible]	
	Less Amount transferred t[illegible]		
4 [illegible]3 22 3[illegible]6	Head Office	[illegible]	
26 5[illegible] 200		[illegible]	
	Add Profit for the period		
	brought forward from the		
6 8[illegible] 90 540	Profit and Loss Account	1 30 [illegible]	
[illegible] 4 4[illegible] [illegible]40		1 [illegible] 8[illegible] 884	
	Less 20% transfer to		
—	Statutory Reserve	2 26 04 [illegible]	
[illegible] 14 4[illegible] [illegible]40			[illegible]
3 45 08 81 1[illegible]2	TOTAL [illegible]		[illegible]

	[illegible]		
[illegible]	Payable in India	1 3[illegible] 35 506	
[illegible]	Payable outside India	2 88 38 [illegible]	
[illegible]			3 34 94 58 972
	6 Bills Receivable being Bills for Collection as per contra—Note 4		
13 41 [illegible]	Payable in India	68 29 [illegible]0 2[illegible]	
1 [illegible]05 52 [illegible]	Payable outside India	3 [illegible]8 28 993	
2 [illegible] [illegible]88			[illegible]2 07 99 2[illegible]0
	7 Constituents Liabilities for Acceptances Endorsements and Other Obligations as per contra		1 14 94 03 385
[illegible]			
	8 Premises		
31 [illegible]	At cost at commencemen of he period	31 3[illegible] 429	
	Additio during the period	2 85 365	
31 [illegible]		34 22 [illegible]94	
[illegible]	Less Depreciation written off to date	10 49 9[illegible]41	
[illegible]			23 [illegible]2 820
	9 Furniture and Fixtures Equipments Vehicles etc.		
[illegible]	At cost at commencement of the period	2 6[illegible] 29 226	
[illegible]	Additi ns during the period	1 32 14 080	
[illegible]		3 99 43 306	
25 04 [illegible]	Less Deductio ns during the period	33 93 328	
[illegible]		3 65 49 9[illegible]8	
1 42 42 [illegible]	Less Depreciation writ en off to date	2 19 [illegible]0 [illegible]68	
1 33 [illegible] 119			1 45 [illegible]9 210
	10 Other Assets		
3 58 [illegible] 661	In erest accrued and receivable	5 9[illegible] 3[illegible] 314	
[illegible]	Interest accrued on investments	6 08 [illegible]2 865	
—	Stamps stationery etc	—	
[illegible]	Prepaid expenses	[illegible] 39 [illegible]0 051	
1 [illegible] 30 [illegible]58	Sundry debtors and debit balances	1 89 [illegible]1 830	
[illegible]	Expenditure on alteration to premises etc carried forward	[illegible]9 12 033	
—	Capital Work in Progress	24 92 620	
[illegible]	Inter branch adjustments—Net	[illegible] 2 61 15 008	
[illegible]	Deposit with Industrial Development Bank of India Income tax surcharge	16 42 [illegible]00	
—	Due from Head Office and Foreign branches—Net	—	
—	Travel Related Services Division—Net balance	—	
[illegible]	Assets as per contra	8 [illegible]9 34 596	
[illegible]			29 46 15 01[illegible]
—	**11 Non banking assets acquired in satisfaction of claims**		—
[illegible]	TOTAL RUPEES		8 42 2[illegible] 69 859

NOTES ON ACCOUNTS ATTACHE[illegible]

Pe[illegible]ur report attaches

For A F FERGUSON & CO
CHARTERED ACCOUNTANTS
Sd
R SUBRAMANIAM
PARTNER

BOMBAY
June 26 1989

For AMERICAN EXPRESS BANK LIMITED
Sd/-
J FILMERIDIS
First Vice President India

AMERICAN EXPRESS BANK LIMITED

(FORMERLY AMERICAN EXPRESS INTERNATIONAL BANKING CORPORATION)

(INCORPORATED IN U.S.A. WITH LIMITED LIABILITY)

PROFIT AND LOSS ACCOUNT OF THE INDIAN BRANCHES FOR THE FIFTEEN MONTHS ENDED 31ST MARCH, 1989

Twelve months ended 31/12/1987 Rs		EXPENDITURE	Fifteen months ended 31.3.1989 Rs	Twelve months ended 31.12.1987 Rs		INCOME (Less provision made during the period for Bad and Doubtful Debts and other [illegible] provisions)	Fifteen months ended 31.3.1989 (in the nearest rupee) Rs
26 78 86 448	1	Interest paid on Deposits, Borrowings etc	[illegible]	[illegible]	1	Interest and Discount	81 10 49 610
4 69 01 460	2	Salaries, Allowances and Provident Fund	[illegible]	[illegible]	2	Commission, Exchange and Brokerage	24 21 35 667
7 000	3	Directors and Local Committee Members' Fee and Allowances	[illegible]		3	Rents	—
1 47 70 768	4	Rent, Taxes, Insurance, Lighting etc	[illegible]		4	Net Profit on Sale of Investment, Gold and Silver, Land, Premises and Other Assets not credited to reserves or any particular fund or account	[illegible] 80 96 500
16 03 763	5	Law charges	[illegible]				
1 61 91 245	6	Postage, Telegrams and Telephones	[illegible]	[illegible]			
2 34 000	7	Auditors' Fees	[illegible]				
1 35 26 804	8	Appreciation on and Repairs to the Banking Company's property	[illegible]		5	Net Profit on Revaluation of Investment, Gold and Silver, Land, Premises and Other Assets (not credited to reserves or any particular fund or account)	76 17 091
2 46 99 856	9	Stationery, Printing, Advertisement etc	[illegible]	[illegible]			
—	10	Loss from sale of or dealing with Non-banking assets	—			Income from non-banking assets and profit from sale of or dealing with such assets	—
3 68 72 534	11	Other Expenditure (including proportionate New York Administrative expenses)	[illegible]	[illegible]	7	Other Receipts	—
15 27 61 364	12	Taxes on Income	[illegible]	—	8	[illegible]	—
6 87 90 540	13	Balance of Profit	[illegible]				
64 42 45 782		TOTAL RUPEES	[illegible]	[illegible]		TOTAL RUPEES	1 08 88 98 868

Per our report attached to the Balance Sheet

For A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS
Sd
(R. SUBRAMANIAM)
PARTNER

For AMERICAN EXPRESS BANK LIMITED
Sd
J. FILMERIDIS
First Vice President, India

BOMBAY
June 26, 1989

AMERICAN EXPRESS BANK LIMITED

(FORMERLY AMERICAN EXPRESS INTERNATIONAL BANKING CORPORATION)

(INCORPORATED IN U S A WITH LIMITED LIABILITY)

PARTICULARS OF ADVANCES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 1989

31 12 1987 Rs		31 3 1989 Rs
1 15 93 63 040	1 Debts considered good in respect of which the Banking company is fully secured	1 8 18 08 448
3 80 4 846	2 Debts considered good for which the banking company holds no other security than the debtors personal security	[illegible]
49 69 22 513	3 Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	83 44 70 734
—	4 Debts considered doubtful or bad not provided for	—
1 69 43 28 399		3 34 93 58 97[illegible]
2 12 05 349	5 Debts due by directors or officers of the banking company or any of them either severally or jointly with any other persons	[illegible]
—	6 Debts due by companies or firms in which the directors of the banking company are interested as directors partners or managing agents or in the case of private companies as members	—
2 33 27 591	7 Maximum total amount of advances including temporary advances made at any time during the period to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons	[illegible]
—	8 Maximum total amount of advances including temporary advances granted during the period to the companies or firms in which the directors of the banking company are interested as directors partners or managing agents or in the case of private companies as members	—
—	9 Due from banking companie	28 41 518

PARTICULARS OF REMUNERATION RELATING TO THE PRINCIPAL OFFICER—THE CHIEF EXECUTIVE OFFICER

31 12 1987 Rs		31 3/1989 Rs
[illegible] 13 000	Salary	3 90 000
39 500	Allowances	82 500
[illegible]	Monetary value of any other benefits or perquisites per Income tax Rules 196[illegible]	1 04 565
[illegible]		5 77 065

AMERICAN EXPRESS BANK LIMITED

(FORMERLY AMERICAN EXPRESS INTERNATIONAL BANKING CORPORATION)

(INCORPORATED IN U.S.A. WITH LIMITED LIABILITY)

NOTES ON ACCOUNTS

1 **Contingent Liabilities**

31.12.1987 Rs		[illegible] Rs
26 50 790	(i) Claims against the bank not acknowledged as [illegible]	[illegible]
	(ii) Liability on account of guarantees given on behalf of	
1 15 90 48 333	Client	[illegible]
2 78 533	Officers	—
—	(iii) Liability on account of partly paid share	—
1 85 19 49 567	(iv) Liability on account of bills redisc[illegible]unted with Reserve Bank of India, Industrial Development Bank of India and other Financial Institution	[illegible]
1 04 23 36 846	(v) Liability on account of outstanding Forward Exchange Contracts	[illegible]
—	(vi) Liability on account of underwriting of a public issue	51 00 000

2 Based on the decisions of the Income tax Appellate Tribunal in earlier years the Bank is confident of successfully contesting all the disputed tax assessments for which no provision has been made. Further the unremitted surplus would cover such disputed demands if at all they arise.

3 No credit has been taken for interest considered doubtful.

4 Bills received from Constituents for collection on their behalf are entered in [illegible] and [illegible] are recorded in financial ledgers only when collected. However bills [illegible] March 1989 have been recorded in the financial ledgers and have been shown in the Balance Sheet and the relevant heads of accounts.

5 Proportionate discount premium on investments based on maturity value has been amortised.

6 In accordance with the instructions received from the Reserve Bank of India the assets and liabilities relating to and as appearing in the books of the Travel Related Services Division after adjusting the profit loss for the period have been shown under Other Assets and Other Liabilities.

7 New York Administrative expenses are subject to the sanction of the Reserve Bank of India and have been limited to the amount estimated to be allowable under Section 44C of the Income tax Act 1961.

8 Previous year's figures have been regrouped rearranged wherever necessary but are not directly comparable with those of the current period of fifteen months.

Per our report attached to the Balance Sheet

For A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS

Sd
(R. SUBRAMANIAM)
PARTNER

For AMERICAN EXPRESS BANK LIMITED
Sd
J. FILMERIDIS
First Vice President, India

BOMBAY
June 26, 1989

AUDITORS' REPORT ON THE ACCOUNTS OF THE INDIAN BRANCHES OF AMERICAN EXPRESS BANK LIMITED UNDER SECTION 30 OF THE BANKING REGULATION ACT 1949

We have audited the attached Balance Sheet of the Indian branches of American Express Bank Limited (Incorporated in U.S.A. with Limited Liability) as at 31st March 1989 and also the Profit and Loss Account of the Indian branches of the Bank for the period from 1st January 1988 to 31st March 1989 annexed thereto in which are incorporated the transactions of the Office of the Chief Executive Officer and the transactions of Travel Related Services Division in India.

The Balance Sheet and Profit and Loss Account have been drawn up in accordance with the provisions of Section [illegible] of the Banking Regulation Act 1949 read with Section 211 of the Companies Act 1956.

We report that

a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;

b. the transactions of the Indian branches of the Bank which have come to our notice have been within their powers;

c. in our opinion proper books of account as required by law have been kept by the Indian branches of the Bank [illegible] appears from our examination of the books;

d. the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;

e. in our opinion and to the best of our information and according to the explanations given to us the accounts together with the notes thereon give the information required by the Companies Act 1956 in the manner required for banking companies and on such basis the Balance Sheet gives a true and fair view of the state of the affairs of the Indian branches of the Bank as at 31st March 1989 and the Profit and Loss Account gives a true and fair view of the Profit of the Indian branches of the Bank for the period from 1st January 1988 to 31st March 1989.

BOMBAY
June 26, 1989

For A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS
Sd
(R. SUBRAMANIAM)
PARTNER

Rural Development in Many Hues

Bhabatosh Datta

West Bengal Landscapes by Arun Ghosh, K P Bagchi and Co, Calcutta, 1989, pp 323, Rs 200

LATE in the autumn of 1983, Arun Ghosh landed in Calcutta to take up the task of planning —and decentralised planning in particular in West Bengal He describes himself as an outsider and a traveller in West Bengal He was born in Calcutta but his parents went to north India when he was only six months old He had never lived in West Bengal but he had trained and perceptive eyes to see everything from a fresh angle Perhaps as a Bengali trying to see Bengal with an incisive and also affectionate vision he had an advantage over the local experts who think that they know the state inside out

Ghosh came to West Bengal with wide experience in the field of economic policy making national income unit World Bank and the IMF ministry of industry and mines, Bureau of Industrial Costs and Prices and many others including high level committees But rural Bengal was new to him He tried therefore to know rural Bengal from direct contacts with an uninhibited angle of vision The result is a travelogue—written during 1984 86 with a touch that appears superficially light but is replete with deep observations which only a first order economic analyst can make

He had difficulties There was for example the inherent contradiction in attempting genuine decentralisation under an administration supposedly imbued with Marxist philosophy The other difficulty arose from the fact that the government was a coalition of many partners all professing to be leftists though not necessarily Marxists Ghosh is bold enough to say that even among the leaders there are some who may not have really understood Marxist literature He feels that there are many possible booby traps in the path of decentralised planning but if the experiment does not succeed in West Bengal it is unlikely to succeed anywhere else in India, at this point of time" This was written before the new noises about panchayati raj that have been sweeping over everything and also before the prime minister's commendation of the West Bengal experiment

The two major achievements of the Left Front government are, first, the registration of about 1 3 million sharecroppers, who have been vested with permanency of tenure and, secondly, the attempt to implement plan projects through the panchayats The major failures lie in power generation and in industrial growth Basically, it is the rural programmes that have been the important ones The Leftists have lost the urban base on which they had once mainly depended It is the rural programmes that Ghosh has described and analysed in his travelogue

The coverage extends to the whole of West Bengal and it includes also Tripura The area studied in detail cover Purulia Murshidabad the Sunderbans Tamluk Bankura Coochbehar Jalpaiguri Birbhum and Malda He was accompanied in his travels sometimes by ministers sometimes by party leaders and of course always by officials but his tours here not guided ones He saw and praised where praise was due He saw and asked uncomfortable questions where he felt doubts

For example on a visit to the Tamluk area to see a rural development project of the Comprehensive Area Development Corporation (CADC) he asked why a marketing centre had been established at a village for the sale of cotton yarn when there was no local production and when the entire supply had to be brought from Calcutta And then why a marketing centre for helping private traders and not a co operative purchase society of the weavers? Latrines were built with no proper arrangement for cleaning the septic tanks but in this case there was no problem because nobody used these facilities The bushes and the open fields were preferred Above everything there was the question of costs When the organisers showed low cost projects the obvious question was about the large magnitude of overhead costs starting from the central office in Calcutta

Another facet of rural planning in West Bengal comes out in the chapter on District Planning Malda Style The district authorities—the elected sabhadhipati of the zilla parishad and the district magistrate in particular—were entrusted with the task of framing the district plan for their area Some of the district plans so framed were commendable, such as those of Midnapur 24 Parganas, Burdwan Jalpaiguri and to a lesser extent Birbhum In their midst the Malda plan (which in fact was not a plan at all) went astray and required reformulation under top level guidance The plan funds were to be spent through the panchayats The Malda plan arranged to spend all the funds through contractors The local legislators and political leaders tried to have their way and favour the local contractors ('the contractors are local people and they have to live") When confronted with the charge that they had not complied with the guidelines, their answer was that they, as elected representatives of the people, knew the problems better

The bureaucracy had played an almost disreputable part "The DM of Malda has recently left on a foreign assignment after (obviously hurriedly) putting together a set of schemes, *intended to keep all the political heavyweights happy*" (emphasis added) The political bosses Ghosh states, need a pliant and amenable bureaucracy He has no hesitation in holding that 'perhaps it is an error to get the MLAs and MPs involved" In Malda they had their way in proposing the utilisation of the services of contractors and in putting a large part of the allocations for the district town There was 'no focus on minor irrigation no focus on the opening up of the hinterland by the construction of well planned inter connected, all weather roads no focus on rural employment and education no focus on the basic problem of the district and their solution Fortunately the planners were persuaded to reframe the entire scheme of things but it required much effort from the deputy chairman and members of the state planning board

Ghosh took a 'busman's holiday' on the Ajodhya Hills in Purulia near the Bihar border There is a dig at the poshness of the CADC guest house, but the Purulia experience on the whole, was encouraging He notes the interesting fact that the tribals themselves can select the right locations for tube wells more accurately than the learned geologists We are apt to disregard the instinct born from experience, of the people rooted in the soil And then there are the usual problems The 'gobar gas' power plant, installed at a high capital cost developed a leak and remained dismantled The long chapter on the Ajodhya Hills together with another on the open spaces' of the Purulia district bring out sharply the major issues in the development of the dry western areas of the state Particularly interesting is the story of a bridge constructed by the zilla parishad at a cost of Rs 7 lakh where the minimum estimate of the PWD had been Rs 30 lakh The villagers worked '10 12, or more hours per day on a daily remuneration of Rs 4 50 plus 1 kg of rice But even then the basic failures emerge The bridge is ready, but the approach road is still to be built

One of the most valuable parts of the book is the three chapters on the Sunderbans The description of the landscape is masterly but there are problems Sugar beet was grown but there was no market Sun flower seeds were produced, but there was no arrangement for crushing the seeds Nim pith and the neighbouring areas generated hope On the other hand the illegal use of saline water in the rice fields for growing prawns has converted good paddy soil into fisheries Hope is transformed into dejection "The more one sees of the people living in the Sunderbans', Ghosh says, "the more depressed one gets There is of course a run-

ning battle against nature, in regard to erosion, in regard to salinity But in the battle against salinity it is also man against man, the poor farmer against the *bheri* owner' The concluding observation is telling! "There is also the apathy of the authorities in regard to the living and working conditions of the people in general even when a Marxist political party is in power Sunderbans is another world though only about 50 miles from Calcutta

One can go on like this drawing out cameos vignettes and acute observations about other districts The reviewer feels tempted to give long quotations, which alone can bring to the reader the enchanting presentation of the economics of rural development with the lights and shades all in soft but clear focus He has however to remain content simply by stating that there are perceptive chapters on Nadia and Murshidabad (the Midlands of West Bengal with the command area programmes) on the 'Bankura model (which despite a deal of touting does not in fact exist at all in a concrete form) on Birbhum (with its uncoordinated government activities) and also Tripura outside the state (where there are large new buildings to house research that is simply not there)

The epilogue which seeks to round off the study starts by saying that in 1987 there appears to be a dangerous increase in the Writers Buildings of the spirit of Tennyson's lotus eaters a general *ennui* in administration At the same time irresponsible implementation at the locations and routine bound administration at the top have combined to take the sense out of decentralised planning 'The puerile backward looking objections of a tired and blase civil service need to be swept aside To Ghosh the ground in West Bengal seems to be ready for "a bold statesman like visionary approach and "only a visionary left oriented government can bring about the required changes But he concludes by raising the pessimistic questions, "Will it? When will it? Ghosh apparently knows the answers

Since Ghosh's travel diary was written there have been major developments The central government has suddenly become interested in panchayati raj and has amended the Constitution to give it the power to legislate for the local bodies and to bypass the state government The objectives announced are highly commendable, but the motives are suspect and the political propriety of establishing a direct link between the centre and the third tier of government is highly questionable And at the same time other employment generation programmes (NREP and RLEGP) have been merged with the newly introduced Jawahar Rozgar Yojana

A piquant situation has been created The centre is applying cleverly-chosen strategies to thrust its finger into the politically succulent rural pie. The state government can only adopt 'reaction strategies' to counter the political designs of the centre. The officials have their own strategies based mainly on their divided loyalties and personal interests And there in the black umbrella of corruption shading everything The zilla parishads are watching their pay off matrix A highly sophisticated game theoretic model of the entire situation can be formulated It will however take time for our young economists to initiate and complete this provocative exercise In the meantime will it be too much to hope that Ghosh will revisit rural West Bengal, once towards the end of the current year (when the politics of election and rural development will get intertwined) and again at the end of 1990 when the hurly burly's done? The readers will be thankful to him for another enthralling account of the sentimental journey of a clear headed economist They will wait eagerly for the next volume which may have some such title as *West Bengal Landscape Revisited* and will be made available if necessary as a paper back at a price that large numbers can pay

Marx's Theory of History

Obituary or New Start?

Arun Bose

Some Problems of Marx's Theory of History by Ashok Rudra Orient Longman Calcutta 1988 pp 76 Rs 25

To get the best out of this slim volume (of 0 pages) it is best to remember a few things about its scope as well as about the scope of this review

First the book does *not* have anything to say on Marx's theory of human progress (or Progress for short) On whether it can or should go on forever or at least till some communist millennium is reached On this issue Rudra will only say quoting Wallerstein progress is not inevitable one has to fight for it (p 62) and no more In saying this he rejects of course the view of many economists explicitly articulated by the anti Marxist Paul Samuelson some years ago that there are built in mechanisms in the economic (i e the capitalist) system by which any absolute scarcity of everything can be avoided indefinitely He rejects also the more recently advanced argument by the friendly critic of Marx W J Baumol's challenging conventional classification of some natural resources as being exhaustible However though Rudra does find Marx was wrong when he occasionally referred to determinate laws of motion [which] govern development' propelled by iron necessity (p 60) he does not seem to find anything wrong in Marx's acceptance of man's conquest of Nature as the goal one must fight for (though he does not make his approval explicit) So a reader will be largely wasting his time if he looks for Rudra's discussion of these themes connected with Progress, urgently by the environmentalists and the Greens

Second as just noted, Rudra is on the side of those Marxists who reject economic' or technological or any Hegelian or neo Hegelian 'historical' extra human idea based determinism, or any non Hegelian version of human superstructural' determinism any *one* of these 'determinisms or *all* of them together Thus he is against any theory of 'multiple co-determination' of 'historical laws' operative "in the last analysis" as well as by 'iron necessity' There are no 'Prime Mover(s)', alternatively called 'motive force', 'motor force', (p 61) Nor are there several such motor forces operating in tandem For Rudra *any* determinism is tied hand and foot to the doctrines of causality It must be rejected because there are no causal links between two successive modes in general [this] needs to be openly admitted (p 25) He reassures those Marxists for whom it is still an article of faith that Marx's theory of history was scientific History can be scientific without having any laws Not even all the physical sciences have got laws There are laws in physics and chemistry but not (none *at all*?) in geology or botany (p 60) (It is not clear whether he would press the argument which has sometimes been heard that even physics after the correspondence principle is not a law governed universe based on causality Perhaps he would perhaps not) It is hardly any use trying to find out whether Rudra's anti determinism makes him reject any scientific interpretation of history He stoutly denies that it does

Third for Rudra in this work history almost stops with capitalism He notes several alternative interpretations of Marx's theory of history where there is no mention of socialism (pp 12 13) in his summary references (perhaps because they as well as he himself took socialism for granted) Of course he does note that Irfan Habib and Paul Sweezy (pp 22 25) as well as the Soviet historians Vasilev and Stuchevsky (p 14) do refer to stages or 'modes of production of socialism or the transition from capitalism to socialism—as if they have not the slightest doubt that such transitions *have* occurred historically and in any case received attention in Marx's theory of history But that is all Anyone interested in discussing for example, the strongly held view of Immanuel Wallerstein that no 'transition from capitalism to socialism has yet occurred in history, will find nothing at all on this issue Perhaps because Rudra prefers to discuss these matters separately elsewhere, unless he rejects the view that one can study 'the present as history" altogether What is absolutely clear is that he does *not* take the 'historical tran

sitions since 1917 from capitalism to socialism as the *only* period in which Marx's theory of history can be, and has been, verified as correct (as the British historian Victor Kiernan, ignored by Rudra, has stated in a Marx centenary volume, and as Sweezy seems to make the bench mark for assessing the debate on the transition from feudalism to capitalism in Europe, noted by Rudra on p 25)

Given this delimitation of the scope of the study to exclude socialism there is no mention naturally of a question which has been posed since the 1930s and has become tragically urgent in the 1980s This is the possibility (or reality) of the reverse transition by a revolution from above of socialism to capitalism as a problem of Marx's theory of history

Fourth Rudra's anti determinism has nothing to do with the anti historicist thesis which insists that every event in history is unique and cannot be compared or contrasted with identical or even similar events occurring over time or space This is Karl Popper's thesis much controverted by Marxists in the 1950s but which was explicitly endorsed at one time by the late Marx influenced Joan Robinson who insisted that the past is completely determined and the future is completely uncertain so that no determinate laws if there are any which can be discovered about the past provide a reasonable basis for action to determine the future

All this falls outside the scope of Rudra's study or refers to what he does *not* say But a whole lot of themes do come within the scope of the study Length wise there are more things Rudra has to say in rejecting other Marxists interpretations of Marx's theory (and each other's interpretations) than in telling us what he puts in place of the interpretations rejected But it seems to the reviewer that his alternatives are more novel and interesting than his rejections So it is on these that he will concentrate But here too there is a problem To discuss in their full elaboration all these alternatives will take almost as many pages as the study itself Moreover there is every danger of the reader (and the reviewer too) getting lost in too many interesting details So we focus on the inner core of Rudra's interpretation of Marx's theory of history then express some doubts and suggest a few corrections and extensions At the end we shall try to explain that his criticism of Marx and other Marxists whom he criticises seems to be overdone since he himself notes that they agree with him on many salient points

New Departures

In the innermost core of Rudra's reinterpretation of Marx's theory of history are some radically new departures

First, as already noted, for Rudra there are no 'laws', 'hard' or 'soft', governing events and changes in history Nevertheless, there is no vacuum, no absolutely unrepeatable, unique events There *are* (limited chains of?) "regularities and similitudes which may be subjected to analytical comprehension" (p 61)

Second, these regularities or similitudes are *invariably* the product of mutual interaction between the 'productive forces including in this demographic and geographical factors (p 62) the 'production relations' and the 'class struggle' in which the probability concept of conjuncture (p 69), and perhaps also the state (pp 24 31 45 59 and 69) play their role in varying degrees and in various ways

Third, productive forces are plural sets which can never be reduced to a prime mover (p 61) Production relations too are sets with no one production relation being dominant The class struggle also is seldom or never between any two classes (or even between the most exploited class on one side and the exploiters (one or more?) on the other) (pp 37 53) As a result when there is a dominating contention between any two classes (e g between lords and serfs) it is the winner in another class struggle (e g between the bourgeoisie and the nobility) who may come out on top (p 53)

Fourth the changing productive forces and production relations interact with no primacy or autonomy attached to either (p 70) There is complete parity of importance between them as (if one dares to use a Rudra forbidden term) co determinants But *both* sets interact also with ideology religion and other cultural factors (pp 52 53 70) among which come in the ideology of caste (p 53) (Other cultural factors and religion may or may not subsume at least not entirely formation of nationalities and nations of which there is no mention)

Fifth the class struggle too is never everything or a sufficient condition (p 69) The degree intensity of the struggle and the level of class consciousness' in turn influenced by ideological factors like Brahminic fatalism or the Protestant ethic also matter (p 52)

Sixth the class struggle has to do with rapacious usurpation and extraction of surplus by the exploiters But it leads nowhere unless it is geared to innovation of all kinds Not only in production technology Also in surplus mobilisation through banks equity shares and entrepreneurial activities by a special class consisting of a new type of men the [capitalist] entrepreneurs (pp 68 69)

Doubts and Corrections

I accept with some reservations the challenging novelty of Rudra's new departures, and agree with them Whether my reservations lead to major or minor corrections of either Rudra's understanding or my own will become clearer only if there is a discussion in which they are contested

Rudra's own reasons for insisting upon dropping the standard Marxian formula "mode of production = productive forces + production relations" are not clear, I too want its rejection My reasons are that the word 'production' on both sides of the identity is restrictive and misleading The so-called 'productive forces' consist of *both* labour and material resources involved not only in production proper', as distinguished from 'circulation' (i e, trade over both time and space) of commodities, but also in circulation which I believe, have been in the picture since the dawn of the human species, and cannot be wished away in any conceivable form of human society (To assume that mankind started with production *only* without exchange and trade and can and will *return* to that state, is an impossible, unnecessary and unproven flight of the imagination which Marx wrongly shared with his non Marxian socialist predecessors) The so called production relations' refer to relations into which men enter to organise not only production proper' but also all economic activities connected with circulation and management of production and circulation Consequently I reject the term and concept of mode of production" I am not willing to tolerate the formula even as an euphemism for two reasons First, if used even as short hand for all kinds of economic activities including production proper, there is the implication that production' is in some sense *primary*, and others are secondary or even dispensable and their scope should be minimised to set free resources available for production proper' even if they cannot be wholly eliminated in the course of human progress' Second, it is absolutely essential to fight what Rudra rightly attacks as an anti trade bias (pp 65 66, 68, 69), which has been sanctioned even at the level of pure analysis by Engels in his notes on *Capital* volume 3

I know that many if not most readers of this review (and Rudra's book) especially the historians among them will probably react somewhat violently against what I say in the previous paragraph They may insist on keeping the scope of Marx's theory of history within the limits of written history', and refuse point blank to mix up' its issues with the anthropology or sociology of 'prehistoric human society Or they may cite inconclusive recently discovered evidence of 'food gatherers' communities" surviving in isolation in the contemporary world in support of Marx's notion of 'primitive communities where the only economic activity was production without exchange between direct producers' and 'production relations' were strictly and *literally* 'relations of production' in this sense. Or they may argue even if there never have been such primitive communities in the *past* how can we dismiss such possibilities in the *future*? Don't modern scientists tell us that scientific possibilities are sure to be stranger than science fiction?

But suppose we limit the controversy to written history', as I am willing to limit it, if insisted upon What do we do about the

suffocating anti-trade bias, which Rudra at least seems to take seriously enough to demand its elimination? For this reason, at any rate I do not see how Rudra can insist on retaining the concepts and terms of standard Marxist 'productive forces and production relations', but absolutely refuse to accept the standard Marxist mode of production' concept and term If he argues that production itself interacts with and is conditioned by ideological cultural factors etc then this is a reason for retaining the entire Marxist formula, but investing production' on both sides of the identity explicitly with this meaning (as Marx himself in his Preface to *A Contribution to a Critique of Political Economy* did) Only if Rudra insists on correcting biases like the anti trade bias is there a case for dropping all references to production' from both sides of the formula as the first step towards doing away with the rather narrowly restrictive and redundant concept of mode in the popular Marxist formula as I do

For somewhat different reasons I am also against Wallerstein's call for doing away altogether with the terms society and social formation on the ground of the ontological vacuity of these terms which Rudra endorses as correct (pp 20 21) First although he prefers the terms world economy and 'inter states system encompassing the world Wallerstein insists that these terms refer only to the world capitalist system In his view the socialist countries represent only geographical segments of an integral world capitalism which are under the management of communist governments committed to the ultimate goal of socialism which can only be established on a world scale or not at all If so Wallerstein (and Rudra if he agrees with him on this point) can have no objection except a superficially semantic one to references to the social formation of world capitalism Second of course there is the argument that most Marxists use the term social formation as simply a national or regional unit given to the writer rather than defined by him thus no unit at all' (Perlin quoted by Rudra, p 19) with which too Wallerstein agrees I do not agree that national or regional social formation can not be defined and such concepts can only be inflicted on a reader at the passing whim of its author (though I strongly agree that this is often done e g in India or in China) My reasons are set out in my *India's Social Crisis* (Oxford University Press Delhi, 1989) Chapters 2 and 3 with copious references to Wallerstein's arguments There I show how national and regional social formations *can* be objectively defined with analytical precision

My third disagreement is over the issue of *capitalist* underdevelopment Of course, Rudra does have a theory of underdevelopment (in China, p 48, and in India, pp 42, 55, 57) For him 'lack of capitalism = lack of industrialisation = underdevelopment' (pp 55, 57) But the statistical record of 'development' in the period 1961-1981 compiled by the World Bank does *not* suggest that 'formerly underdeveloped countries that have been industrialising (indexed by share of industry in GDP) have a high growth rate while the low growth ones have not (Gerald Meier *Leading Issues in Economic Development*, 1984 pp 152 53) Rudra may of course shoot down World Bank statistics as falsification of statistics But the more general issue is whether capitalist development can promote either underdevelopment and long term stagnation or development Are both possible? I am convinced it can do either so that to overcome capitalist underdevelopment capitalist industrialisation may *not* be the remedy We may have capitalist industrialisation in India but *still* have underdevelopment

CRITICISM

Finally I must make two points about Rudra's welcome criticisms of Marx and several Marxists The more there is of such irreverent and uninhibited criticisms the better It does not matter very much if some of it is overdone or is one sided (since underdone and misleading many sided or balanced criticism has been the bane) But something is gained by trying to correct ex *post* such overdone or one sided criticism

Rudra's readers might get the impression that there is more disagreement between Rudra and Marx than there is though Rudra himself may be fully aware of many more agreements than he found space to mention in a 70 page work whose main purpose was rightly to make Marxists think rather than to revere To refer to one glaring omission, Marx has a great deal to say about the Christian Protestant ethic as a promoter of capitalist accumulation in North America in his *On the Jewish Question* (1844), sec ii, which is emphatically not as doctrinaire and superficial as Engels references to Calvinism as a promoter of capitalism Also in Marx's recently reprinted *Notes on Indian History* there is a generalisation of the role of Indian Brahmins (contrasted to the role of Zoroastrian priests in Persia) which reinforces Rudra's point about the ideology of Brahminic fatalism the philosophy of Karma but enriches it Readers of Rudra's text could profit by turning to these as follow up reading

Without being side tracked in pinning down a wrong idea Rudra seems to give the devil his due albeit a little grudgingly when his quarry started with a correct idea and then went astray (e g Dobb in the Sweezy Dobb exchanges) or started with a wrong obsession and then blurted out what is true (e g Hilton in the same controversy) But I must register a mild protest against Rudra's attribution to Wallerstein of the view that the bourgeoisie *did not exist* or play any part independently (my italics) during the first and second industrial revolutions in Europe (p 37) I have read much by Wallerstein (including at least one article in the *Economic and Political Weekly*) where if anything Wallerstein somewhat overstresses the role of the nascent European bourgeoisie, not only from the sixteenth century but earlier If there is anything by him which *denies* its role it is an almost unknown Wallerstein writing

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Nationhood and the Nationalities in Pakistan

Hamza Alavi

Whereas in Europe nations were constituted into states, in post-colonial societies the problem is inverted—states have to be transformed into nations This problem tends to be less acute where national liberation has been achieved through a long-drawn mass struggle, but the movement for Pakistan had a trajectory which did not include such a process Political debate and conflict in Pakistan have revolved around the question what is the legitimate place of sub-national aspirations and demands within a larger concept of Pakistani nationhood? The worst contradictions of the politics of ethnicity have been concentrated and have taken violent forms in Sindh

MORE than four decades after the state of Pakistan was created it is still a country in search of an identity That is not because the issue of our nationhood has not preoccupied our minds To the contrary it is one that we have been obsessed with Much blood has been spilt just on that ground Political debate and conflict has revolved around the question What is the legitimate place of sub national aspirations and demands within a larger concept of Pakistani nationhood There is a tension and a dialectical opposition between these two levels of political identity which has never been resolved for those in power have tended to look upon sub national movements as a threat to the nation and subversive of national unity

In the eyes of the articulate leadership of sub national groups the Pakistan nation has been appropriated by Punjabis who dominate the ruling bureaucracy and the military that has effectively been in power in Pakistan since its inception in partnership they might say until the mid seventies with Muhajirs who were relatively well represented in the Punjabi dominated state apparatus Members of the under privileged regions have tended to see themselves as subject peoples who have not been given their rightful place in the nation In their eyes with a subtle inflection of meaning the nation is transmuted into country They exist within its boundaries and are subject to its laws and institutions But the concept of country is not evocative like that of the nation It does not draw upon a deeply embedded sense of identification, it does not have the same emotive and legitimising charge It does not give quite the same sense of belonging and commitment, as that of the nation The peoples of Pakistan have not yet fused into a single community The story of the Bengali movement, culminating in the liberation of Bangladesh, is a manifest example of this Pakistan has yet to become what Benedict Anderson speaks of as the imagined community which, as he puts it, is "conceived as a deep horizontal comradeship" that cuts across boundaries and social groups and penetrates with varying degrees of consciousness, a great variety of social terrains [Anderson, 1983 16]

Official Nationalism

Up to a point it might be said that Pakistan is not alone among third world countries in this predicament among countries where state power lies in the hands of one dominant ethnic group alienating the rest In Europe where sub national groups have also come forward in recent times with demands for autonomy and national self determination the historical perspective nevertheless has been rather different There by and large national unification movements preceded formation of nation states so that the resulting states embraced peoples who in the course of such movements had developed a sense of common purpose and common identity that brought them together as nations In post colonial societies such processes that weld peoples together have tended to be rather tenuous So it was to a degree in the case of the Pakistan movement Whereas in Europe, nations were constituted into states in post colonial societies the problem is inverted to transform states into nations

This problem tends to be less acute where national liberation has been achieved through a long drawn mass struggle for independence and self determination which has brought peoples together to constitute nations in their march towards a common destiny The Pakistan movement has had a trajectory that has not included such a process In any case the whole issue becomes more problematic where a single ethnic group finds itself in control of the state apparatus through its disproportionate representation in the state bureaucracy and the military, as in Pakistan There ruling military bureaucratic oligarchies having appropriated state power, identify the state and the nation narrowly with their own particular purposes and interests

If, in the circumstances it were to be claimed that Pakistan is a unified nation that would be tantamount to what Anderson speaks of as "official nationalism', a national identity that is not spontaneously generated from below, but is imposed from above by those at the heart of the power structure in the country in reaction to powerful sub-national movements that evoke a far more powerful popular response in all regions outside the Punjab The nation in that context is made into a property of the privileged groups Repression of sub-national movements by the ruling bureaucracy and military in the name of national unity in the circumstances is self defeating for that only deepens their sense of alienation their sense of being a subject people

The Salariat

There is one class which has been central to this problem both with regard to the Pakistan movement as well as regional nationalism within Pakistan after independence This is a section of the urban middle class those with educational qualifications and aspirations for jobs in the state apparatus the civil bureaucracy and the military I have called it the *salariat* [Alavi, 1987] This class has a particular salience in colonised societies with a predominantly agrarian production base where the colonial (and post colonial) state apparatus has a dominating presence in the urban society and is the principal employer Associated with the salariat are urban professionals, lawyers and doctors as well as the intelligentsia writers poets teachers and journalists who share the life experiences and many of the aspirations of the salariat It is from amongst these that an articulate component of the political leadership is also drawn

The Indian salariat in its contemporary form originated in the 19th century when the colonial regime made changes in the administrative and the legal system that was now to be worked by those who had received an anglo vernacular education rather than a classical education in Persian, Arabic and Sanskrit Those who acquired the requisite educational qualifications were recruited into the colonial state apparatus as clerks or bureaucrats These westernised oriental gentlemen' as they were contemptuously referred to by British civil servants in India were to play a key role in shaping the style and direction of early Indian nationalist politics and they were at the centre, throughout, of the Pakistan movement

The salariat is internally differentiated, for

those in its upper echelons, senior bureaucrats and military officers hold positions of power. Their position is qualitatively different from that of lower level functionaries. But they share a common goal in a struggle for access to the limited opportunities for state employment. In that struggle the salariat has a tendency to divide and align along ethnic lines in order to draw wider support and solidarity in their struggle for a greater share of the available jobs as well as the limited places in institutions of higher education, the source of credentials for future jobs. Students aspiring occupants of salariat positions are therefore aligned with the respective salariat groups and play an active role in salariat politics.

India and Pakistan: The Differences

Lines of ethnic cleavages within the south Asian salariat are in large part a reflection of historical occupational specialisation in India by communities as well as by uneven regional extension of the process of the colonial transformation of Indian society. Some communities have traditionally been associated with state employment. Under the several hundred years of Muslim rule many Hindu communities nevertheless occupied a key role in the state apparatus such as the Kayasthas and Kashmiri Brahmins in northern India or Amils in Sindh. It was much later that members of other communal occupational groups begin to be drawn towards salariat careers and it is not surprising therefore that they found themselves greatly under represented in state employment.

The factor that influenced an uneven regional development of the salariat in India was early proximity to or distance from the nodal points of colonial rule in India which fanned out from its initial bases in Calcutta, Madras and Bombay and later Delhi. Those communities that were established in these places had an edge over those who were more distant and who had poorer access to the new educational institutions and salariat positions. This was affected too by the areas of concentration of missionary activity, a channel through which the new education was purveyed.

As far as Pakistan is concerned an important factor in the regional equation was the patronage bestowed by a grateful colonial regime on Punjabis for their help to the colonial regime in putting down the so called 'Indian mutiny', the first Indian war of independence. Punjabis, whether Muslims, Sikhs or Hindus, were rewarded in many different ways including land grants in the newly created canal colonies of the Punjab. But that included special attention to education. This was availed of by urban Punjabis who by virtue of being drawn into the salariat followed the political leadership of the Muslim League rather than the Unionist Party that was in power in the Punjab, the party of landowners of the Punjab, a multi ethnic paty that defended landlord interests. Urban Punjabis, predominantly Urdu speakers, were both patronised and looked down upon by the ruling Unionists of the Punjab and their leaders like Sir Fazli Hussain, founder of the Unionist Party.

By contrast Bengali Muslims were much under represented in salariat jobs despite their relatively higher educational levels (Basu, 1974). In Sindh the urban population before the partition was overwhelmingly Hindu as indeed was the Sindhi salariat, the Amils. But Hindus were driven out of the country following well organised rioting in Karachi in January 1948, leaving a social vacuum which was filled by incoming Urdu speaking Muhajir refugees from India. Sindhi Muslims were overwhelmingly rural and the Sindhi Muslim salariat element was very small at the time. Likewise the Baluch and Pathans were under represented although the latter were well established in the military. The relatively well educated Urdu speaking Muslims of northern India were traditionally well established in salariat positions and after the partition these Muhajirs shared control over state power as junior partners of the dominant Punjabis. Given that source of patronage and support Muhajirs were with the Punjabis in supporting the notion of an indivisible Pakistan nation. But their position was shattered by the weakening of bureaucratic power by Bhuttos administrative reforms and decisively so by the Zia regime that followed. Against that background Muhajirs abandoned their earlier position and declared themselves to be another disadvantaged ethnic group giving rise to a new movement, the Muhajir Qaumi Mahaz (MQM), the Muhajir National Front. Ethnic politics in Sindh have followed an uneven course because at one level the small and weak Sindhi speaking salariat in that province has found itself in direct competition at the local level with the Urdu speaking Muhajirs while at the national level they both find common ground by virtue of Punjabi domination from the centre.

While the salariat has been at the centre of ethnic politics in Pakistan it does not stand alone in this. This applies in particular to sons of landowners or rich peasants for example who can afford to put their sons through higher education so that they may move into salariat positions which has not been their traditional occupation. In such cases we can say that there is an *organic link* that ties the salariat with the classes from which they originate. Beyond direct organic bonds by virtue of kinship there are also other kinds of linkages that mobilise broader sections of society behind salariat politics that dominates our political life. This is particularly an effect of the pervasive role of government in our society and its personalised character. Linkages that create possibilities of personal access to the bureaucracy are much valued, sought after and cultivated. Persons who come within wider social networks that potentially provide such contacts and connections with actual and prospective members of the salariat, such as fellow villagers or even those who can invoke their shared ethnic identity, will tend to identify themselves as such and give their backing to the ethnic politics of the salariat. They have a stake in their installation in public office and their promotions to higher positions within the bureaucracy for they can then hope to invoke their mediation and help that would provide for them a point of fruitful access to the bureaucratic machine.

In the case of sub national movements for regional autonomy ambitious politicians are also drawn into the game of ethnic politics. Where they have little hope of gaining power at the centre an alternative is to profit from possibilities of acquiring influential public office at a local or provincial level. They have a stake in the goal of greater provincial autonomy which would put greater power and more resources at their disposal. They resort to chauvinistic rhetoric as a powerful means of mobilising support when they have little else to offer to the common people. On the other hand one can see the logic of the politics of members of privileged and dominant ethnic groups who hold key positions in the bureaucracy and the military and thereby are in control of state power who feel threatened by politics of ethnicity and denounce such political appeals as parochial and particularistic. They invoke instead appeals for loyalty to larger entities such as the Pakistan nation or the brotherhood of Islam in the name of which they try to delegitimise regional ethnic demands. They invoke an official nationalism.

Finally in considering the reasons for Pakistan politics being overshadowed by politics of ethnicity we must consider our long history of authoritarian government by a bureaucratic and military oligarchy seen to be predominantly Punjabi. There have been few opportunities therefore for the common people to participate in democratic processes. They feel alienated from the political system with no sense of participation in it. Pakistan and India provide contrasting cases of this. In India the plurality of salariat groups in the higher reaches of government and the absence of dominance by any single one of them has necessitated a political system through which those who are in positions of power in the state are obliged to operate a process of negotiation with different sections, groups and regions of Indian society in a wide variety of ways in order to aggregate authority in their exercise of state power. Such processes of negotiation operate both within the ruling Congress Party and between the Congress and regionally powerful political parties. There is therefore a wider degree of participation in the process of government. In Pakistan, by contrast there is the dominance of a single salariat group, the Punjabis, in the military and the bureaucracy and the tenuous character of democracy in the country, even when it has been allowed formally to exist. As a result there is an absence of

political negotiation under authoritarian rule, which has heightened the sense of alienation and exclusion of the under privileged regional groups, who are made to feel as outsiders in their own country

SALARIAT BASED NATIONAL MOVEMENT

The salariat was at the heart of early Indian nationalism whose main slogan was not yet independence but rather Indianisation of government service and self government within the empire Under conditions of colonial rule the salariats from different parts of India were initially united in that common goal Yet even at this early stage ethnic competition within the Indian salariat was beginning to make its appearance The movement of the Muslim salariat that ultimately culminated in the formation of Pakistan was only one of several such movements Others included the Scheduled Castes Federation the Brahmin vs non Brahmin movement in south India and the unsuccessful movement led by E V Ramaswamy Naicker the *Periyar* (great sage) who gave a call for the formation of a separate state of *Dravidisthan* a state of the non Brahmin people of south India Naicker supported the Pakistan movement and was given a seat on the platform at the Madras session of the Muslim League Naicker s dream and also his failure to mobilise the different putatively Dravidian people of south India behind his Tamil led movement illustrates very well the character and the limits of politics of the salariat This limitation is reflected in the history of the Muslim League too It did very badly in the elections of 1937 and ironically it was at its weakest in Muslim majority provinces of India It was by virtue of certain special circumstances that surfaced when independence was in sight that brought about a swing in political alignments of powerful landlord groups in the Muslim majority provinces that the Muslim League was able to muster forces that lay behind the creation of Pakistan

The heart of Muslim nationalism in India was in the UP and Bihar Muslim minority provinces Muslims there had held a lion s share of government jobs But with the switch to an Anglo vernacular system of education and changes in the colonial administrative and legal systems as well as the very rapid expansion in the size of the salariat in the latter half of the 19th century parallel with the construction of a new colonial economy in India [cf Alavi, 1989], there was a relatively greater increase in the non Muslim component of the salariat Muslims saw themselves losing their pre eminence Their share in the highest ranks of government service declined from 64 per cent in 1857 to about 35 per cent in 1913 This was a remarkable *decline in privilege* for Muslims were only about 13 per cent to 15 per cent of the total population of the UP in that period Under the leadership of Sir Syed Ahmad Khan they demanded a parity in quotas for government jobs, arguing that Muslims made up in quality what they lacked in overall numbers' Aligarh and Lucknow were the main political bases of the Muslim salariat who hijacked the Muslim League as soon as it was founded [cf Alavi 1987] Jinnah a leader of the Indian National Congress was invited to joint them in 1913 It is component of the Muslin salariat that was later to come to Pakistan as *Muhajirs*

In the Punjab the Muslim salariat was also quite sizeable for about 32 per cent of those educated in English in the Punjab were Muslims rather less than their share of the total population which was over 52 per cent (Census 1931) The Punjabi Muslim salariat joined that of the UP and Bihar in the Muslim national movement declaring that they were under represented by way of their proper share of government jobs These relatively more advanced components of the Muslim salariat in India were the main base for the Pakistan movement It was a very limited base

The salariat based Indian national movement was able to extend its base both by virtue of getting the backing of the Indian national bourgeoisie anxious to get the colonial regime off its back and also by virtue of politics of mass mobilisation inaugurated by Mahatma Gandhi which triggered off the active support of the subordinate classes behind the movement for independence That was not the style of politics of the Muslim League leadership Mass mobilisation being absent in this case the requisite political weight was secured only when a deal was made by Jinnah with landlord leadership of the Muslim majority provinces especially in the Punjab and Sindh That secured nominally at least the adoption of the Muslim League label by right wing landlord dominated governments that were in power in those provinces and gave the Muslim League some kind of mandate on the basis of which it was able to secure the final result But the Muslim League s dependence on landlords of Sindh and Punjab for securing its goals and its inability to mobilise the Muslim masses was to have far reaching consequences for the state of Pakistan

Politics of ethnicity based on the problems and aspirations of different salariat groups have developed differently in India and Pakistan in two respects Firstly ethnic movements in Pakistan have taken the form primarily of sub nationalism although a secondary theme of localised ethnic conflicts and competition has not been absent In India by contrast politics of ethnicity have by and large been displaced on to local arenas taking the form of communalism and inter communal conflict over quotas for jobs and places in institutions of higher education that lead to salariat and professional careers

Secondly, we find that in the case of Pakistan there has been a succession of ethnic definitions and re definitions, according to changing contexts of ethnic politics To begin with the salariat groups behind the Pakistan movement were defined and unified by a religious *ethnic* criterion namely, Muslim' Pakistan was not created, as is ideologically represented by some interests in Pakistan today, to create an 'Islamic' state [cf Alavi 1987] The Pakistan Muslim League was held to be the champion of *Muslim* nationalism But the social roots of Muslim nationalism were quite shallow It is quite remarkable that the Pakistan movement was at its weakest in Muslim majority provinces As has been pointed out political power in the Punjab lay in the hands not of the Punjabi salariat but rather in the hands of powerful landowners who were organised behind the right wing landlord party the Unionist Party the party of Hindu and Sikh as well as Muslim landowners who despised the urban salariat groups even when they patronised them

In Sindh the pattern was virtually identical except for the fact that an ethnic Sindhi speaking Muslims salariat was virtually, non existent Muslim in Sindh were either landlords or peasants the *wadera*s and *haris* Sindhi urban society was overwhelmingly Hindu except for a certain number of non Sindhi Muslims who had migrated to cities of Sindh in the wake of colonial development It is only in relatively recent times that Sindhi speaking Muslims who were predominantly rural have begun to come forward to claim their share of salariat positions Muslims of Baluchistan were likewise backward as also those of Sarhad although some sub regional variations existed In these regions the Muslim League was to be at the mercy of landlords and tribal leaders

The claim of Muslim nationalism in India was that Indians were divided into two nations the Hindu nation and the Muslim nation The moment that Pakistan was established Muslim nationalism had fulfilled its objective and had outlived its original purpose There were two interesting responses to this new situation Firstly Jinnah himself buried the two nation theory in his inaugural speech given on August 14 1947 to the newly established constituent assembly of Pakistan In that historic speech he declared in the clearest possible terms his commitment to the idea of secular citizenship in Pakistan From the principal forum of the new state he declared

> You may belong to any religion or creed That has nothing to do with the business of the state We are starting with this fundamental principle that we are all citizens of one state I think we should keep that in front of us as our idea and you will find that in course of time Hindus will cease to be Hindus and Muslims will cease to be Muslims not in the religious sense because that is the personal faith of each individual but in the political sense as citizens of the state [Choudhury 1967 21 22]

Jinnah s speech was a clear declaration of secular citizenship in the new state, a speech that ideological vested interests in Pakistan have a hard time explaining away

Assertion of Regional Identities

A rather different response to the creation of Pakistan was the affirmation of their own regional identities, as against the common identity of Muslim, by under privileged regional salariat groups in Pakistan *vis a vis* the dominant Punjabis There was a fresh reckoning of the distribution of privilege and deprivation Virtually overnight there were ethnic re definitions The salariat groups of East Bengal Sindh Sarhad and Baluchistan promptly re defined their identities as Bengalis Sindhis Pathans and Baluch and demanded fairer shares for themselves in jobs in the state apparatus The respective regional sub nationalist movements exploded into view the day after Pakistan came into being The state of Pakistan was now represented by them as an instrument of Punjabi domination with their control of the bureaucracy first under secretary general Choudhry Muhammed Ali and later under governor Ghulam Mohammed The fact that neither general Iskandar Mirza nor general Ayub Khan who held the reins of power after them were Punjabis made little difference to that perception for given the Punjabi positions within the bureaucracy and the military power was seen to be securely in Punjabi hands

The articulation of Bengali and Pathan identities respectively on the basis of both region and language was relatively unproblematic The first expression of the demands of the East Bengal salariat came when Shaikh Mujibur Rahman as a young student leader put the aspirations of the people of East Pakistan before Jinnah when he visited Dacca The powerful Bengali language movement symbolically so for language is above all the instrument of the pen pushing salariat was triggered off by the announcement in 1952 that Urdu would be the national language of Pakistan The Bengali movement demonstrated its power in the East Pakistan election of 1954 when the ruling Muslim Party secured no more than 10 seats out of a total of 309 Here the Bengali salariat was far more effective in the political arena than the Muslim League had been in the 1937 elections In 1937 the social base of the victorious Krishak Proja Party in Bengal was made up of rich peasants and *jotedars* who demanded abolition of *zamindari*, to get rid of the overlords who dominated their lives That objective was achieved by zamindari abolition in East Bengal in 1951 In the elections in East Bengal in 1954 and subsequently, the leading issues were salariat demands The rich peasants and jotedars whose sons made up the East Bengal salariat were solidly with them Hence their landslide victories These were solid votes against Punjabi' domination

The problem of ethnic identity is rather more complicated in Sindh and Baluchistan In Sindh, especially, it is an explosive issue that has torn that province apart in violent conflict In Baluchistan if cultural criteria were to be interpreted too rigidly, as differentiating criteria of ethnic groups, a number of separate groups can be demarcated namely Baluch proper, Brahuis (or Brohis), Lassis, Makranis and in the north eastern districts Pushtuns who are Pathans rather than Baluch The literature of Baluch nationalism repudiates angrily attempts to fragment them on the basis of such criteria Instead they have produced historical accounts of convergent origins of these different sections of a single people, the Baluch It is the dominant Punjabi ruling groups, they argue, who emphasise and try to exploit such differences to disrupt Baluch unity The Baluch on the other hand resist such attempts to divide them and stridently proclaim their unity The only exception that some of them are prepared to make is in the case of Pushtuns and they accept the idea of Pushtun areas of Baluchistan being amalgamated with the neighbouring Sarhad province Affirmations of Baluch unity are directed against Punjabis and other outsiders who monopolise jobs and most profitable occupations in Baluchistan to the exclusion of the Baluch

Case of Sindh

It is in Sindh that the worst contradictions of the politics of ethnicity in Pakistan are concentrated and they take violent forms Sindh is truly a multi ethnic province In a sense it has always been so for historically it has been inhabited by a substantial number of Baluchi speaking people who although they may speak Baluchi at home are nevertheless regarded as Sindhi some of them are Sindhi nationalist leaders Likewise there are migrants from Cutch in India (business communities) who have lived in Sindh (mainly Karachi) for many generations and have played leadership roles in Sindhi politics For example Mahmood Haroon who is from such a background was among prominent delegates at a conference organised at Sann the home of G M Syed when the Sindh National Alliance was founded in 1988 Feroz Ahmad a militant Sindhi extremist who is an Ismaili also belongs to this category Hence we can see that Sindhi identity is a mixture of many different elements a product of historical evolution

But a distinction *is* made in the case of those who have come to Sindh after the partition They are not categorised as Sindhis although they have lived in Sindh for decades These include Muhajirs speaking refugees from India who came in at the partition and also Punjabis and Pathans who have migrated to Pakistan since then Forty years ago when a flood of refugees, uprooted from India poured into Pakistan (similar numbers of Hindu and Sikh refugees were uprooted from Pakistan areas and were driven over the border across to India), the Punjabi dominated ruling oligarchy ensured that refugees from East Punjab and in the main only those, were settled in West Punjab so that ethnically and linguistically Punjab remained homogeneous, only a handful of refugees from other parts of India found their way into that province. All refugees other than those from East Punjab, i e, mainly the Urdu speaking refugees from northern and central India, were settled in Sindh although Punjab being a much larger province, had a greater capacity to absorb these refugees and offer them a livelihood With Sindhi Hindus the predominant element of Sindhi urban population having been driven out and the influx of Muhajirs into Sindh, the ethnic composition of Sindh was radically altered

Some of the Urdu speaking refugees from India who were funnelled into Sindh settled on the land But the bulk of them took the place of urban Sindhi Hindus, either as traders or professionals in the big cities and small towns of Sindh The Urdu speaking Muhajirs also initially provided the bulk of the urban working class in Sindh Sindhi speaking urban population in Sindh thus became quite minute Whereas before the partition Sindh s cities were predominantly non Muslim now they are predominantly Urdu speakers As Sindhis started coming up in salariat they found that they had not only to deal with Punjabi domination of the state apparatus but also to compete with the relatively more advanced Muhajirs Although initially (after the partition) the population of Sindh s cities was overwhelmingly Muhajir in composition their ethnic composition changed substantially with the influx of Pathan and Punjabi workers who provided additions to the working force for the growing industries

As a result according to the 1981 Census only 52 per cent of the population of Sindh consisted of those whose first language was Sindhi Urdu speakers were more than 22 per cent of the total But they predominated in the urban areas of Sindh where they were reckoned to number over 50 per cent of the population The Muhajir urban majority is less pronounced as one moves to smaller towns which after all are mere extensions of the rural society But along with Punjabis and Pathans they are an overwhelming majority of the three major industrial cities, namely Karachi Hyderabad and Sukkur

In Karachi, the capital of Sindh, a metropolis of over 8 million people 54 3 per cent of the population (in 1981) were urdu speakers, i e, mainly Muhajirs 13 6 per cent were Punjabi speakers and 8 7 per cent Pushto speaking Pathans from the Sarhad In that capital of Sindh, those whose first language was Sindhi numbered a mere 6 3 per cent That is the grievance of Sindhi nationalists They have become strangers in their own land However, it might be said that the census figures probably underestimate, as some experts believe, the numbers of Pathans and Punjabis in Karachi, many of whom live in *katchi abadis* or shanty towns where there has been under-enumeration An estimated 40 per cent of the population of the city live in these slums By contrast Sindhis who live in Karachi

belong to the lower middle class and above, many of them being absentee landlords and their retinues Likewise in the other major cities of Sindh, Hyderabad and Sukkur, native Sindhi speakers are in a very small minority

A rather different kind of complication in the ethnic composition of Sindh arises from the influx of privileged groups from outside These are mostly Punjabis Large tracts of land in Sindh brought under irrigation since independence, were allotted by the ruling bureaucratic military oligarchy to senior officers of the bureaucracy or the military or their relatives rather than to Sindhis These new landlords in Sindh tend mostly to be absentee landlords and they brought with them Punjabi tenants or labourers whom they could better control and rely upon than local Sindhis So this is a double deprivation of lands as well as jobs In urban areas too valuable land and property has been allotted to persons in these categories Punjabis are taking over industries and large businesses also from the (mainly) Cutchi businessmen of Sindh Because of proliferation of state controls of a variety of kind over the operation especially of industrial enterprises, the established businessmen have found it increasingly more difficult to cope with them the more so during the eleven years of Zia's military dictatorship when rule of law gave way to arbitrary decisions by military officers As a result many of the traditional businessmen have retreated into trade and many have transferred their operations abroad In their place a new class of Punjabi capitalists has taken shape These are not just any Punjabis but rather they are close kinsmen of senior bureaucrats and military officers Their kinship links play an important part in their ability to negotiate bureaucratic hurdles which the old established bourgeoisie found it difficult to negotiate *Both* Sindhis and Muhajirs have found themselves pushed into the background and resent these developments

Muhajir Politics

The ethnic orientation of both Sindhis and Muhajirs has undergone significant changes in recent years, dramatically so in the case of Muhajirs At the time of the partition Muhajirs were well established in the bureaucracy, though not in the armed services which is estimated to be around 85 per cent Punjabis, most of the rest being Pathans (these are not confirmed or verifiable figures) It must be said, however, that there do exist a number, though a diminishing one, of very senior Muhajir officers and generals general Mirza Aslam Baig, Zia's successor is, for example, a Muhajir However, as the significant alignments in the military are those amongst Punjabi officers and generals, Muhajir officers do not represent a power base on their own They are rather often the 'least evil' choice of powerful rival groups of Punjabi officers

Muhajir presence in the bureaucracy was an important source of patronage for them In the circumstances they identified politically with concepts of Pakistan nationhood and some even with Islamic ideology and opposed demands of regional ethnic groups That ideology was in continuity with their political orientation in the past for, along with urban Punjabis, Muhajirs were the bulwark of Muslim Nationalism in India and provided many of the principal leaders of the Pakistan movement In Pakistan they were largely non political, for their linkages with the bureaucracy were personal and particularistic Insofar as they were drawn into the political arena they tended to back Islamic ideological parties such as the Jamaat i Islami or the Jamiat i Ulama i Pakistan

The bureaucracy with its important Muhajir component, used to be presided over by the tightly organised CSP, the Civil Service of Pakistan successor to the colonial ICS, the so called 'Steel Frame' of colonial rule For two and a half decades after independence, it was the senior partner in the bureaucratic military oligarchy that ruled Pakistan [cf Alavi 1983] It was powerful enough to keep the military at bay even during the martial law regime of General Yahya Khan The situation changed radically after Bhutto's administrative reforms, that broke its back and the bureaucracy ceased to be the powerful entity that it used to be Ironically that opened the way for unrestrained military rule under General Zia for the one great barrier in the way of military hegemony was removed With the collapse of bureaucratic power it was also the case that the Muhajirs lost their patrons in the structure of state power which now passed into unchallenged Punjabi hands

It took a little time for these changes to manifest their effects in Muhajir politics—although it must not be forgotten that Muhajirs played a big role in movements against Ayub Khan which led him to transfer the capital away from Karachi, the principal Muhajir centre Soon Muhajirs were to abandon their pre occupation with affirmations of Pakistani nationhood and they abandoned, in the process, their support for Islamic fundamentalist parties They lined up behind politics of ethnicity

Hitherto Muhajirs had agitated against the quota system for jobs and admissions into institutions of higher education, which are at the core of ethnic politics As late as December 1986 a Jamaat-i-Islami Urdu weekly, read mostly by Muhajirs, carried an article entitled 'Quota System Denial of Justice and the Sword of Oppression' (*Kota Sistam Adal ki Nafi Aur Zulm ki Talwar* in *Takbeer*, December 24, 1986) But the Muhajirs were to change this stand The quota system in Pakistan dates back to the 1950s when it was introduced in deference to East Bengali ethnic demands Unlike the system in India where quotas are based on local communal criteria and are left to local authorities to work out and implement, in Pakistan they are regional, 10 per cent of the places being awarded 'on merit', 50 per cent for the Punjab, and 19 per cent for Sindh, of which 11 4 per cent was for 'rural Sindh' and thus for predominantly Sindhi speakers, and 7 6 per cent for urban Sindh, mainly Muhajir A quota of 11 5 per cent was fixed for Sarhad and 3 5 per cent for Baluchistan and the rest for Azad Kashmir and Federally Administered Territories However, there were problems with implementation of the quota system Given Punjabi control over the administrative machinery, it has not been too difficult for a Punjabi to poach places from the other groups by obtaining false 'Certificates of Domicile' in say Quetta in Baluchistan or Hyderabad in Sindh, depriving the locals

With the total collapse of bureaucratic power and consolidation of the power of the Punjabi dominated army, Muhajirs began to feel that they were losing ground heavily and their bureaucratic patrons were no longer able to help them quite as much as before They had little to gain, they felt, from agitating for abolition of the quota system In March 1984 a new movement, called the Muhajir Qaumi Mahaz (MQM), i e, the Muhajir National Front, was set up, its main impetus deriving from a Muhajir students' organisation They now demanded that Muhajirs be recognised as the fifth nationality of Pakistan and that they should be allotted a 20 per cent quota at the centre and between 50 per cent and 60 per cent in Sindh They also want it to be ensured that quotas in Sindh reserved for Sindhi speakers and Muhajirs, respectively, are not poached by Punjabis The MQM took the urban centres of Sindh by storm

Emergence of MQM

The MQM has emerged through the 1988 elections as the third largest party in the country—one might even say that in effect it is the second largest, for the Islamic Democratic Alliance, reckoned second, it itself no more than a precarious patchwork of 9 parties, cobbled together under pressure from above, to present a viable opposition to the PPP The MQM was founded in March 1984 by some Muhajir students' groups Its rise as a major force on the national scene was quite dramatic That was precipitated by certain events in September 1986 when a planned Muhajir protest march from Karachi to Hyderabad was stopped by the police at Sohrab Kot, the 'gateway' to Karachi and the participants beaten up That was the catalytic moment in its subsequent meteoric progress

The emergence of the MQM as a major political force was not merely a matter of Muhajirs getting organised as such It marked a sea change in their political attitudes So far Muhajirs had championed the cause of Pakistan nationhood and were a major support for extreme right wing Islamic fundamentalist parties such as the Jamaat-i-

Islam! But now the national identity was dropped. Only a few months earlier it would have been thought to be unbelievable that Muhajirs would rally behind a slogan that said: "We have not signed a contract to uphold Pakistan and Islam!" (*Ham nain Pakistan aur Islam ka theka nahin liya hai*). Having for decades declared quite militantly that their identity was Pakistani and Muslim and that they opposed all ethnic movements as communal, they now decided to pursue communal politics. Overnight there was an ethnic redefinition for now they declared themselves to be Muhajirs rather than Pakistanis. Instead of moving towards an end to communalism and to ethnic conflict, the rise of the MQM in the face of strident Sindhi nationalism further consolidated the hold of communalism in Pakistan politics.

Sindh politics however have been in a state of flux. In 1983 the Movement for Restoration of Democracy in Pakistan was to launch a nationwide protest against Zia. In the event it was in Sindh that an exclusively Sindhi movement arose with great fury and power. Based on Sindhi speakers it turned out to be narrowly a rural movement for it failed to rally the urban population mainly Muhajirs because of its sectarian Sindhi slogans. Nevertheless it was a most powerful movement that stretched the repressive state apparatus to the limit in trying to contain it and put it down. Attempts were made by the Zia regime to turn that movement into communal rioting and there was plenty of evidence of *agents provocateurs* at work. The leadership of the Sindhi movement succeeded in securing the help of local level Muhajir leaders and prominent members of their community to stand with the Sindhis on their platforms in order to prevent their struggle against the central government from degenerating into an inter communal conflict. That experience had some impact on the thinking of some sections of the Sindhi leadership especially its more radical sections. They began to realise that their movement had failed because of their inability to rally the urban population without which no movement in Sindh could succeed and that if they had managed to involve the Muhajirs their movement would have been irresistible. They began to see that Muhajirs were a part of the peoples of Sindh indeed a part of the Sindhi people.

An important and influential section of the Sindhi leadership began to redefine Sindhi identity. Historically Sindhi identity had always been rather problematic in that multi-ethnic province. Many people from other regions have settled in Sindh, such as the Baluch who still speak Baluch at home but are recognised as Sindhis—many Baluchis are in fact in positions of leadership in Sindh. There are also Cutchis in Sindh. Cutch is a bridge between Sindh and Gujarat (in India) and the Cutchi language is cognate with Sindhi. There are other groups of early migrants in Sindhi. That includes those who are (putatively) of Arab origin, the Syeds, who came with the Arab conqueror of Sindh in the eighth century AD, Mohammad bin Kassim. Amongst these would be counted G M Syed the father of Sindhi nationalism.

EXTENDING SINDHI IDENTITY

In 1986 one found Sindhi leaders and intellectuals engaged in discussing criteria on the basis of which Sindhi identity might be redefined so as to include also Muhajirs who are now an integral part of the population of Sindh, whom they would like to carry with them in their struggle for provincial autonomy. One can recognise that achievement of greater provincial autonomy would benefit the rural Sindhi speakers more directly because of the rural bias in the political system and the franchise. If unity with Muhajirs brought them nearer to that goal it is the Sindhi speakers who would stand to gain most even if the benefits were to be shared with Muhajirs. Together they would get the dominant Punjabis off their backs. At that time many Sindhi leaders were keen to extend the concept of Sindhi identity accordingly although there were a chauvinistic few who campaigned vigorously against it. In the case of at least one of these in the latter category suspicions were voiced that he was an employee of the ubiquitous inter services intelligence, the notorious ISI (which was reported by the London based *Financial Times* to have 1,00,000 persons working for it). Such a possibility is not at all unlikely and cannot be ruled out. It would have suited the interests of the Zia regime to generate conflict between Sindhis and Muhajirs and even now that would serve the purposes of those who would like to see a weak government in power even if it is a democratically elected one.

Sindhi leaders who favoured extending the concept of Sindhi identity, argued that being a Sindhi was not a matter of place of origin or one of language that one spoke. If that were so how could the Baluch in Sindh be accepted by them for so long as fellow Sindhis and so many of them acknowledged and honoured as Sindhi leaders. They argued that the Baluch in Sindh were Sindhis because they had *roots* in Sindh. They would extend that principle to Muhajirs. Muhajirs, they argued, were uprooted by fate and the forces of history' from their own soil in India and deposited in Sindh. They had struck fresh roots in Sindh as the Baluch and the Cutchis had done before them. These Sindhi leaders and intellectuals repudiated quite forcefully the paternalistic designation of Muhajirs as 'new Sindhis', a term that was widely used in the past but which, implicitly, denies Muhajirs full status as Sindhis. They insisted that they are full Sindhis, without any qualification. Descent they said, was no criterion of ethnicity nor was it religion or language. It was a question of *roots*.

Applying that criterion of rootedness, to other groups in Sindh, they took the view that Punjabis in Sindh would not qualify for inclusion within the expanded notion of being Sindhi. These are mostly bureaucrats and members of the armed forces or their close relatives who have secured large grants of land from the government and who have brought with them their retinue of Punjabi sharecroppers and labourers. These Punjabis the Sindhi leaders and intellectuals argued have come to Sindh as conquerors and usurpers on the strength of state power. They remain Punjabis for they have their roots in Punjab which is exploiting the resources of Sindh. They should therefore be expelled from Sindh and the land restored to Sindhi hands the sons of the soil.

Such Sindhi ethnic redefinitions impelled by recognition of need for political realignments are most interesting to see. It was likewise in the case of Muhajirs responses to some degree to realignments to Sindhi positions but also and especially to changes on the national scene. This included the change in the ethnic self definition of Muhajirs and the dramatic rise of the MQM in the mid 1980s. The Muhajirs now abandoned their opposition to the very conception of sub nationalities. Earlier Muhajirs had repudiated the idea of ethnic identity or nationality in favour of Pakistan nationhood and Islamic brotherhood for which such divisions were repugnant. The MQM demanded instead the recognition of Muhajirs as the fifth nationality of Pakistan and virtually overnight Muhajirs rallied around it overwhelmingly. The process of ethnic redefinition continued further. In the face of Sindhi moderation Muhajirs realising that their own future is tied up with the future of Sindh as a whole which cannot be resolved except in company with Sindhi speakers changed tack once again. More confident after their resounding success in the local elections of Spring of 1987 they reoriented their approach to prepare the ground for closer political co-operation with Sindhi speakers. Now they declared that Muhajirs were not a nationality by themselves. They were only a sub nationality within the larger Sindhi nationality, Sindhi speakers being the other sub national group. *Together* they constituted Sindhi nationality. Given Sindhi reorientations too for a time it looked not at all unlikely that the two would move closer in the political arena towards some kind of a United Front in order to win concessions from the centre. However, the political situation was to change once again, after the death of Zia and the elections of 1988. The self definition of Muhajirs as a sub nationality was therefore short-lived. With the new re alignments, they reverted to their claim to be the fifth nationality of Pakistan.

STRANDS IN SINDHI LEADERSHIP

Sindhi re-alignments were taking shape also. A conference was held in Sann, the home of G M Syed, the grand old man of Sindhi nationalism, where the Sindh National Alliance was founded. It was a very broad-based conference where delegates

comprised the whole political spectrum among Sindhi speakers A central issue in the debate turned out to be the name of the alliance whether it should be *Sindh* National Alliance or *Sindhi* National Alliance The former would leave the door open for Muhajirs to be invited in and several speakers suggested that they should be The latter alternative was designed to close the doors on Muhajirs being brought into the Alliance at all It is significant therefore that it was the former option that was adopted

There are elements within the Sindhi leadership who have resorted to extreme chauvinistic rhetoric *vis a vis* Muhajirs Some of them speak of Muhajir Separatism which is both an absurd and also a mischievous notion It is intended to arouse Sindhi fears that Sindh will be dismembered This is nonsense because the cities in which Muhajirs predominate cannot be lifted out of their rural environment in order to constitute a Muhajiristan Moreover a very large proportion of Muhajirs do not live in the three large cities but are dispersed throughout Sindh in small rural towns where their livelihoods depend on their relationships with Sindhi speakers who predominate there Indeed these Muhajirs now in their third or even fourth generation in Sindh have learnt Sindhi at school and have been undergoing a process of Sindhification In the 1983 movement despite attempts to promote Sindhi Muhajir riots to split and disrupt the powerful Sindhi movement Muhajirs and Sindhis stood united, a fact which does much credit to both the Sindhi and Muhajir local level leadership But it is sad in the circumstances to find scholars such as Feroze Ahmed fanning the fires of Sindhi chauvinism and progressive journals publishing such material

On the other hand there are Sindhi leaders whose eyes are focused on the problem of getting the authoritarian hand of the central government off their backs and to win a greater degree of regional autonomy for Sindh These more pragmatic leaders of Sindhi speakers cannot be unaware of the fact that given the rural bias in our political system it is they rather than the Muhajirs who would predominate in the government of Sindh as is the case at present They have nothing to lose by an alliance with Muhajirs and indeed much to gain *vis a vis* the centre

Motives of leaders of Sindhi speakers who resort to an extreme chauvinistic rhetoric and violent anti Muhajir slogans must remain much more suspect In the case of many of them, leaders whose political fortunes have waned this strategy of outbidding more 'moderate' leadership by extreme slogans would, hopefully for them, revive discredited political fortunes and foster personal political ambitions There is at least one Sindhi chauvinistic leader who is preaching what is tantamount to fascism He has been demanding that all those who are not native Sindhi speakers should be expelled from Sindh In the case of non-Sindhi industrial workers he declares 'Let them take they industries with them We do not want them here' Likewise, he demands that Muhajirs should be expelled from Sindh When asked where they might go—for by now we have third and fourth generation Muhajirs who know no other home than where they are—this leader replies that this should be no concern of his or the Sindhi people 'Hand them over to the United Nations High Commissioner for Refugees He should find some place for them somewhere in this world That is his job' This is a variant of the final solution' of the Nazis This mischievous and vicious campaign offers nothing concrete to the Sindhis Those who know the political leaders who are conducting such a vicious campaign see the hand of the central government in this and are able to point out concrete examples of patronage and positions of very considerable profit that have been bestowed on such individuals and their close relatives by a grateful central government for such campaigns directly benefit central power by causing disruption divisions and conflict amongst the people of Sindh and undermine possibilities of united action on their part in the interest of the region as a whole

Left's Naivety

Paradoxically objectively at any rate the authoritarian centre is helped ideologically in this by groups on the Left mainly in the Punjab who tend to take utterly naive and quite misinformed positions *vis a vis* the Sindhi movements They feel ideologically committed to the right of oppressed nationalities to national self determination and regional autonomy But when they look at Sindh they see only the movement of Sindhi speakers as a legitimate movement They have not yet overcome their suspicion of Muhajirs to recognise that they too are an oppressed nationality, standing side by side with Sindhis Their suspicions of Muhajir politics are grounded in the fact that until the mid eighties Muhajir politics were hostile to the idea of national self determination in the name of Pakistani nationhood and Islamic unity Muhajirs had supported central authoritarian rule and Islamic fundamentalism When the MQM appeared on the scene they were taken unprepared for it and they have not yet figured out how to evaluate it They have yet to come to terms with the sea change in Muhajir politics their abandonment of Islamic fundamentalism and their emergence as a sub national group whose claims, hardly less valid than those of Sindhi nationalism, need to be located justly and fairly within the overall picture.

At this point one might add that the ethnic problem in Sindh does not involve only the contending claims of the rival salariat groups although that class has been at the core of ethnic politics It concerns also a complex mix of ethnic groups that make up the industrial working class in Sindh, concentrated mainly in Karachi, Hyderabad and Sukkur Ethnic divisions have been exploited to break up the unity of the industrial working class whereas in periods of militant working class action, as in the early 1970s, ethnic conflicts amongst workers has tended to recede into the background and lost from sight

Industrial workers in Sindh are, almost entirely, non Sindhis Before independence, the working class in Karachi, engaged mainly in transport (railways, the docks and various forms of urban transport) were overwhelmingly Baluch (Makrani) migrant workers. Immediately after the partition, Muhajirs made up the bulk of the working class in Sindh's industrial cities Karachi, Hyderabad and Sukkur As industrialisation progressed in the 1950s and 1960s, more workers were pulled in from densely populated agricultural regions of Sarhad and the Punjab (i e its extreme north-western districts in the Potowar area) where farms were small and fragmented, incapable of providing a livelihood, so that traditionally there has been a 'push effect' forcing members of farm families to look for employment outside. In Sindh, by contrast there was no such push effect so that members of farm families did not seek outside work and the working class in Sindh therefore was not recruited from the immediate hinterland It is only in very recent years that farm mechanisation by Sindhi landlords is causing eviction of Sindhi sharecroppers the *haris*, who are being forced to look for urban employment in a period of relative industrial stagnation

Powerful vested interests are at work in Karachi which have generated ethnic conflict between working class ethnic groups, notably Pathans, against Muhajirs Rioting has become endemic in Karachi and the people are terrorised by gangs equipped with automatic weapons transported around in trucks Some brilliant investigative journalists, especially those who have contributed to the monthly *Herald*, have exposed the hand of well organised drugs mafia and those engaged in trade in illegal arms and, not least racketeers in urban land, who were behind these so-called ethnic riots Karachi has large areas of vacant land around it, areas into which the rapidly expanding city has been pushing Vacant land is seized by the racketeers, developed as housing projects and the houses sold at great profit to themselves The city administration has been able to do nothing for it is itself under the control of the mafia Given extraordinary levels of official corruption, the mafias also control the agencies of 'law and order', both the police and also the military at the local level In the circumstances they have a relatively free hand They do not tolerate any official projects that might interfere with their own very profitable operations The organised violence of these mafias has sometimes been explained away as ethnic conflict that masks its real purposes on behalf of powerful interests But once violence begins, inevitably, in the wake of such conflicts ethnic antagonisms escalate.

1988 Elections

More recently in the context of the 1988 elections some remarkable changes in alignments have taken place Despite the powerful thrust of Sindhi nationalism it was the PPP that got solid support from the Sindhi speaking part of Sindh s electorate Those Sindhi nationalist candidates who insisted on standing in the elections were routed

The PPP and notably its Sindhi leadership had consistently distanced itself from Sindhi nationalism When approached by some chauvinistic Sindhi nationalist leaders in 1987 who invited the PPP to join them in sponsoring the Sindh National Alliance the PPP Sindhi leaders spurned them saying that they were a national' party and could not therefore espouse regional causes The PPP refused to align itself with particularistic Sindhi demands The PPP also kept out of the Sindh National Alliance There is an understandable logic in the PPP s anti communal position If it was to come to power at the centre, it had to carry the electorate of the Punjab Punjab was hostile to regionalist movements that challenged Punjabi domination

Despite that consistent position of the PPP leadership, already in 1986 there were clear indications that if general elections were to be held, Sindhi votes would go to the PPP In my discussions with Sindhi intellectuals and Sindhi nationalist leaders in 1986 in Hyderabad, they all put it in somewhat emotive language legitimising their decision to abandon, temporarily at least, their Sindhi nationalist cause They said that We have a debt of blood to discharge Therefore this time it will be the turn of the daughter of Zulfiqar Ali Bhutto Our turn will come the next time' Bhutto had given his life for them they said That debt must be repaid by voting for his daughter

Behind that ideological justification for their electoral tactics practical reasons for taking such a course were quite evident Sindhi nationalists could have no hope of forming a government at the centre and without that nothing would be delivered Voting for Sindhi nationalist candidates would therefore be an empty gesture. On the other hand Sindhi leaders occupied powerful positions in the PPP, not least Benazir Bhutto herself Even if in deference to her 'national position she would not go quite so far as they might wish, it would not be unreasonable, they thought, to expect that she would go some little way at least to redress Sindhi grievances

Ethnic strategies were re-assessed in the context of the 1988 elections Despite the more florid rhetoric of some Sindhi nationalists, in the face of the consistent position of the PPP in distancing itself from them, Sindhis, nevertheless, voted solidly for the PPP Those few Sindhi nationalist leaders who insisted on standing on a nationalist platform, faced ignominious defeat Half a loaf was still something, as far as the Sindhi electorate was concerned Just protest would achieve nothing There are so far few signs that Sindhi nationalists will get even the few concessions that they hoped for and their disaffection is already making itself felt

Defeated and discredited Sindhi nationalist leaders are using this to try and stage a come back Their rhetoric has taken on a more chauvinistic tone A wave of rioting has been sweeping through the cities of Sindh following attacks by motorised armed gangs equipped by automatic weapons, who have driven with impunity, through wards of cities of Sindh, killing indiscriminately As the history of communalism in the subcontinent has shown once such violence is unleashed, it becomes self generating and communal riots escalate with mutual reprisals

Against such a background of inter communal tension and indeed bloody violence a demonstration was organised in Karachi in the name of the Sindh National Alliance 'the first big demonstration of its kind", as was reported (*Jang Daily*, April 3 1989) This would not be quite true, for in 1987 an even bigger demonstration, in the form of a Peace March was organised in Karachi after some extremely vicious communal rioting That demonstration and procession was led by leaders of all communities Sindhi Muhajir Pathan and Punjabi and to good effect

Hopeful Sign

Be that as it may, the recent Sindh National Alliance demonstration was led by defeated and discredited right wing leaders such as Hamida Khuro and Hafeezuddin Pirzada in company with ultra chauvinists such as Rasool Bux Palejo But it was addressed also by saner voices such as that of Abdul Wahid Aresar, chairman of the largest of the Sindhi nationalist parties, the Jiye Sindh Mahaz The demonstration was organised against continued immigration and settlement of outsiders in Sindh but for the chauvinists it was clearly an anti Muhajir event On the other hand Aftab Meerani a senior minister in the PPP-led Sindh government, declared that the demonstration was a conspiracy against the democratic government of the PPP

The speech of Abdul Wahid Aresar, chairman of the Jiye Sindh Mahaz was in marked contrast to that of some of the others mentioned above. He said that just as the people of Sindh, while voting for the PPP on pragmatic grounds, nevertheless, could not be identified with the PPP, so also the fact that the Urdu speaking Muhajirs had voted solidly for the MQM did not mean that they did not have their differences with the MQM or that they should therefore be identified with that party The fact that there had been an electoral polarisation did not mean that these two peoples of Sindh were therefore aligned against each other in rival camps He continued that political conditions do not remain constant and fresh alignments would emerge. He appealed to both Sindhis and Muhajirs to stand shoulder to shoulder in their struggle to solve the collective problems of Sindh and he was confident that they would do so The solution of problems of Sindh did not lie in rioting and conflict between Sindhi and Urdu speaking people of Sindh It was a courageous speech in the context of attempts to arouse Sindhi chauvinistic feelings What is significant is that this speech from the leader of the most important of the Sindhi nationalist parties (and groups) was received with enthusiasm It is a hopeful sign for the future

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Roche Products

ROCHE PRODUCTS engaged in the manufacture of bulk drugs, drug intermediates, pharmaceutical specialities, food and feed supplements, wants to explore possibilities of export of software packages which can be suitably developed if the conditions are favourable. The proposed business can be combined conveniently and advantageously with the existing business of the company under existing circumstances In future there may be other business opportunities also which the company may wish to explore

The company has fared well during 1988 with sales rising from previous year's Rs 33 95 crore to Rs 43 11 crore and gross profit from Rs 2 24 crore to Rs 3 37 crore Net profit is also higher at Rs 1 57 crore (Rs 1 12 crore) The directors have raised dividend by a point to 15 per cent which is covered 2 18 times by earnings as against 1 67 times previously These good results have been achieved mainly due to the increased price of vitamin A prevailing throughout the year and the increased production of vitamin A from 49 to 59 MMU, an increase of 20 per cent There have also been marginal price and volume increases in pharmaceutical specialities

Exemption Limit and Personal Income Tax
An International Comparison

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Pawan K Aggarwal

This paper analyses the relationship between the exemption limit in personal income tax and per capita income for a group of 26 selected countries Two alternative kinds of exemption limit are examined, viz, the actual exemption limit and the notional exemption limit, where the latter is defined to be the income level at which the marginal rate of 25 per cent becomes applicable Norms for both the actual and notional exemption limits are devised using a determinants analysis on the basis of per capita income and the share of personal income tax in total revenue It is seen that the actual exemption limit and the marginal tax rates at low levels of income are high in India, Pakistan, Jamaica and Spain and low in the US and Thailand

I
Introduction

THE exemption limit and the marginal tax schedule comprise the two basic elements of any income tax system In most countries of the world personal income up to a certain limit is exempted from income tax Two broad justifications may be provided to have income up to a certain level exempted from tax (i) The capacity to pay income taxes may be regarded as being low for very low incomes Individuals with low incomes up to a certain level may thus be exempted from paying tax This may be thought of as being an *equity* argument (ii) On grounds of administrative cost it might be advantageous to exempt a large number of taxpayers with very low tax liability if it is felt that the ratio of cost of collection to the tax yield for such persons would be so high as to make the imposition of the tax uneconomical This may be thought of as being an *administrative* argument

A natural question arises as to whether the exemption limit in a country is high or low as compared to the limit in other countries It is well known that as the level of well being of a country judged in terms of say its per capita income, rises the share of direct taxes in total tax revenues is seen to be higher With a per capita income of US $ 290, India raised about 18 96 per cent from direct taxes in the year 1986 whereas with per capita incomes of $ 8 870, $ 12,080 and $ 12,840 respectively UK West Germany and Japan raised 66 15, 76 49 and 74 79 per cent of their tax revenue from direct taxes It should also be remembered that direct taxes can be more readily used as a tool to promote equity as compared to indirect taxes The arguments for this are quite well known but for a systematic review of it the reader is referred to Musgrave and Musgrave [1980] It may be expected that as the general level of well-being of a country rises an increasing proportion of the population may be, with good justification, brought within the income tax net In particular, as per capita income rises the ratio (R) of the exemption limit to per capita income may be expected to fall This also means that the ability to pay of the bulk of the population rises Beyond the recognition of this fact however it ought to be stressed that any attempt at comparing the exemption limit across countries is in fact fraught with several methodological difficulties Two countries may have the same per capita income levels but the exemption limits of personal income taxes may well be different owing to, among others three important factors (i) The tax structures in the two countries in terms of the mix of the direct and indirect taxes may well be significantly different This might well be so due to the different structural features of the two economies (ii) The structure of personal income taxes itself may be significantly different between the two countries in the sense that different combinations of exemption limits and marginal tax schedules may be chosen to yield a target level of income tax revenues (iii) The distributions of income in the two countries may be different giving rise to the need for instituting different exemption limits in the two countries

In this paper however, we exclusively focus attention on per capita income and the mix of direct and indirect taxes as the key factors determining the level of the exemption limit

A country with a large population size and high income inequality like India may adopt *ceteris paribus* a higher exemption limit as compared to other countries principally to avoid dealing with a large number of taxpayers for a meagre amount of tax revenue From a perusal of the data for several countries it is observed that as per capita income rises the ratio R of the exemption limit to per capita income falls Through a choice of suitable functional forms we relate R to per capita income and the share of personal income taxes in total tax revenue, and estimate the relationships The actual R is then compared to its predicted value of R for individual countries We also posit that those countries that raise a relatively larger amount of tax revenues from direct taxes would be having a lower exemption limit in relation to their per capita incomes for the sake of a wider tax base

It has long been felt that inter-country per capita GDP data available for example, in the *World Development Report* do not accurately reflect the real income levels across countries In order to account for real income differentials not captured in the exchange rate adjustments Kravis and others [1982] have proposed a set of correction factors to the per capita GDP figures We attempt a second exercise linking the ratio R to per capita incomes corrected by the Kravis index

For our exercise we consider a sample of 26 countries These are Austria, Brazil, Colombia Denmark France, West Germany India Ireland Italy, Jamaica, Japan Kenya South Korea Luxembourg, Malawi Malaysia Mexico, the Netherlands, Pakistan Philippines Spain Sri Lanka, Thailand UK the US and Zambia The Kravis index is also available for all these countries

We also examine an alternative notion of exemption limit which we call the 'notional exemption limit This is taken to be the level of income at which the marginal tax rate 25 per cent becomes applicable Accordingly, two exemption limit ratios, RA and RN, could be defined which refer to the ratios of actual and notional exemption limits to per capita income RN avoids the misleading picture that we get from purely looking at RA for the countries that start with very low exemption limits associated perhaps, with very low marginal tax rates as in France, West Germany Luxembourg and the Netherlands Both these notions provide different kinds of information and it should not be thought that one is necessarily superior to the other

We find that Colombia has the highest actual exemption limit ratio (RA), followed by India Pakistan, Kenya and Sri Lanka, in the descending order The US has the lowest RA which is followed in the ascending order, by South Korea West Germany, Austria and Luxembourg On the other hand Malawi has the highest notional exemption limit ratio (RN), followed in the descending order by Kenya, Pakistan and Thailand West Germany has the lowest ratio which is followed, in the ascending order by Austria UK and Luxembourg

Table 1 Actual and Notional Exemption Limits and Per Capita Incomes of Different Countries

Country	Per Capita GDP in US$ 1986 (PCGDP)	Country Currency Units Per US$ 1986	Index of Purchasing Power 1975	Actual Exemption Limit	Notional Exemption Limit	Actual Exemption Limit as Ratio of PCGDP (RA)	Notional Exemption Limit as Ratio of PCGDP (RN)	Per Capita GDP Adjusted for Purchasing Power Parity (PCGDPA)	Ranking in Terms of RA
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Colombia	1230	194 2610	2 82	1200000	2000000	5 0222	8 3703	3480 9	1
India	290	12 6110	3 23	18000	18000	4 9218	4 9218	936 7	2
Pakistan	350	16 6480	3 12	24000	74000	4 1189	12 6999	1092 0	3
Kenya	300	16 2257	1 95	12000	79200	2 4652	16 2705	585 0	4
Sri Lanka	400	28 0170	3 65	27000	48000	2 4093	4 2831	1460 0	5
Denmark	12600	8 0910	0 79	208200	208200	2 0422	2 0422	9954 0	6
Jamaica	840	5 4778	1 25	8580	8580	1 8647	1 8647	1033 2	7
Mexico	1860	611 7730	1 23	1427400	5625800	1 2544	4 9440	2287 8	8
Malaysia	1830	2 5814	1 98	5000	35000	1 0584	7 4090	3623 4	9
Brazil	1810	13 6600	1 58	21600	120400	0 8736	4 8696	2859 5	10
Malawi	160	1 8611	2 55	240	6000	0 5060	20 1494	408 0	11
Philippines	560	20 5300	2 51	8500	106000	0 7393	9 2200	1405 6	12
Spain	4860	140 0500	1 36	500000	600000	0 7346	0 8815	6609 6	13
Thailand	810	26 2990	2 61	13000	233000	0 6163	10 9375	2114 1	14
Ireland	5070	0 7454	1 14	2000	2000	0 5292	0 5292	5779 8	15
Zambia	300	7 3046	1 49	900	6400	0 4107	2 9205	447 0	16
UK	8870	0 6817	1 11	2425	2425	0 4010	0 4010	9545 7	17
The Netherlands	10020	2 4500	0 89	7474	17233	0 3045	0 7020	5917 5	18
Japan	12840	168 5200	1 10	570000	4430000	0 2634	2 0473	14124 0	19
Italy	8550	1490 8000	1 12	3000000	11000000	0 2354	0 8630	9576 0	20
France	10720	6 9261	0 91	16560	41730	0 2230	0 5620	9755 2	21
Luxembourg	15770	44 6720	0 91	153600	369600	0 2180	0 5246	14350 7	22
Austria	9990	15 2670	1 00	30762	50000	0 2017	0 3378	9990 0	23
West Germany	12080	2 1715	0 88	4536	4536	0 1729	0 1729	10650 4	24
South Korea	2370	881 5400	2 54	300000	10000000	0 1436	4 7864	6019 8	25
USA	17480	1 0000	1 00	1900	16800	0 1087	0 9611	17450 0	26

Country	Ranking in Terms of RN	Total Tax Revenue	Tax on Income Profits and Capital Gains	Social Security Contribution	Tax on Individuals	Tax on IPCG and SSC	Tax on Individuals and SSC	DTR (16)/(12)	ITR (17)/(12)
(1)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
Colombia	6	292393	78479	53033	45895	131512	98928	0 4498	0 3355
India	9	23470	4655	0	1928	4655	1928	0 1983	0 0821
Pakistan	3	31263	5253	0	1804	5253	1804	0 1680	0 058
Kenya	2	15987	5023	0	1603	5023	1803	0 3142	0 1128
Sri Lanka	12	30354	5480	0	1760	5480	1760	0 1805	0 0580
Denmark	15	188025	77671	10447	62359	88118	72806	0 4656	0 3872
Jamaica	16	15861	5193	690	2743	5883	3433	0 3709	0 2164
Mexico	8	43383	11766	5780	5388	17546	11168	0 4044	0 2574
Malaysia	7	17131	7982	106	1975	8088	2081	0 4721	0 1215
Brazil	10	60733	16135	20966	736	37101	21702	0 6109	0 3573
Malawi	1	29626	11724	0	4501	11724	4501	0 3957	0 1519
Philippines	5	49974	12166	0	4308	12166	4308	0 2433	0 0862
Spain	18	58739	14910	29440	11766	44350	41206	0 7550	0 7018
Thailand	4	139385	31101	0	16716	31101	16716	0 2231	0 1199
Ireland	22	6427	2213	935	1978	3148	2913	0 4898	0 4532
Zambia	13	10174	3218	0	1089	3218	1089	0 3163	0 1070
UK	24	108056	46931	21987	32543	68918	54530	0 6378	0 5046
The Netherlands	20	17593	4778	8285	3736	13063	12021	0 7425	0 6833
Japan	14	34854	24523	0	13868	24523	13868	0 7036	0 3979
Italy	19	243724	90839	82499	72615	173338	155114	0 7112	0 6364
France	21	170920	31400	80060	23230	111460	103290	0 6521	0 6043
Luxembourg	23	86070	35615	22225	25201	57840	47426	0 6720	0 5510
Austria	25	41924	9223	16127	7877	25350	24004	0 6047	0 5726
West Germany	26	48358	8719	28470	6915	37189	35385	0 7690	0 7317
South Korea	11	11078	2867	158	1522	3025	1680	0 2731	0 1517
USA	17	64500	35553	23479	29848	59032	53327	0 9152	0 8268

In the following section we present a brief review of the literature In Section III a picture of the exemption limit and per capita incomes in various countries is presented The fourth section of the paper outlines the methodology that we have adopted in this study The results of our econometric exercise are presented in the fifth section Since the exemption limit of the personal income tax is matter of much interest and relevance in India we focus specifically on the Indian case in Section VI Section VII presents the conclusions of this study

II

Exemption Limit A Brief Review of the Literature

The literature on the comparative picture of personal income taxes across countries is meagre presumably because of the inherent difficulties associated with attempting such an exercise Some of the best known works in the area are due to Chelliah Bass and Kelly [1975] and Tait Gratz and Eichengreen [1979] both of which work out some measures of the average tax rate relative to the base Dilnot and Morris [1984] in an important paper study the incomes tax structure of UK and consider the consequences of choosing alternate tax scenarios but they do not provide a comparative picture of other countries In the Indian context Chawla [1972] Gupta and Aggarwal [1982], and Kothari [1987] among many others have considered the question of the exemption limit and the margmal tax schedule None of these works however, has considered the international picture

Sicat and Virmani [1988] develop a methodology to compare marginal official tax rates across a sample of fifty developing countries They caution against trying to link disincentive effects of a tax system purely in terms of the highest marginal rate For their analysis they relate the income level which the tax reaches the highest marginal rate to per family GDP (FGDP), and examine the proportion of tax payers to which the highest rates apply The analysis is based on the above threshold income level and four other income levels (3/4 of mean FGDP, mean FGDP 2 times FGDP and 3 times FGDP)

In analysing the impact of inflation on personal income tax in India, Bagchi [1982] argues that it is not the case that income tax has totally ignored the effects of inflation In fact he shows that the exemption limit has moved up more than was necessary to neutralise the inflationary impact He also looks at the ratio of the exemption limit to per capita income for 21 selected countries and finds that the ratio is the highest for India, followed by Pakistan, and lowest for Austria, West Germany and Israel Bagchi also recognises that the exemption limit of personal income tax must depend upon the mix between direct and indirect taxes amongst countries

III

Exemption Limit Concepts Adopted and the International Picture

Table 1 presents data on both the actual and notional exemption limits along with per capita incomes of the sample countries The data on exemption limits have been obtained from the *Investing Licensing and Trading Conditions Abroad* which have been compiled by the Business International Corporation and the per capita income figures have been obtained from the *World Development Report (1987)* The data on the exemption limits correspond to the year 1987 and the figures for the per capita gross domestic product (PCGDP) are for the year 1986 The latest year for which the Kravis index of real income comparisons of different countries is available with us is 1975 and the same have been used in the current study to make a correction for real PCGDP

For the purpose of determining actual and notional exemption limits, we focus exclusively on the basic[1] exemption limit and the tax rate schedule applicable to a country It is possible to think in terms of adding the standard deduction to the basic exemption limit to get an idea of the zero tax limit [see, for example, Sicat and Virmani (1988)] We have resisted this temptation because in most countries the standard deduction is a variable with an upper limit and we see no obvious justification in merely adding on the upper limit of the standard deduction to the exemption limit Moreover, the standard deduction is not applicable to income from all sources and is allowed only with respect to salary income in lieu of the expense of earning income just as deductions for expenses are allowed in computing profit or loss from business or other sources of income Therefore to the extent that the standard deduction represents the expense of earning salary income alone, it would not seem appropriate to add it to the basic exemption limit to cover all sources of income Variation in the standard deduction across countries may thus be presumed to principally reflect variations in the expense of earning salary income

It is of course true that income earners in different countries may have families of different average sizes to support but we make no adjustments to the exemption limit on this score The picture would be further complicated by the fact that average family size would generally vary across income classes as well as across countries Our analysis also does not take into account personal allowances specifically allowed for old age marriage etc

From Table 1 (Column 7), it would be noted that the ratio (RA) of actual exemption limit to per capita gross domestic product (PCGDP) in the country's own currency varies from as low as 0 1087 to as high as 5 0222 across the 26 countries covered here Colombia has the highest RA which is followed in the descending order by India, Pakistan, Kenya Sri Lanka, Denmark, Jamaica Mexico and Malaysia On the other hand the US has the lowest RA which is followed, in the ascending order, by Korea, West Germany, Austria, Luxembourg, France and Italy The ratio is found to decline as PCGDP rises across the countries as well as with rise in PCGDPA [2]

It would also be noted from Table 1 (column 8) that the ratio (RN) of notional exemption limit to per capita gross domestic product varies from as low as 0 1729 to as high as 20 1494 across the countries Malawi has the highest RN which is followed, in the decending order, by Kenya Pakistan, Thailand Philippines, Colombia and Malaysia On the other hand, West Germany has the lowest RN which is followed, in the ascending order by Austria, the UK, Luxembourg Ireland, France, and the Netherlands As in the case of RA the ratio RN is also found to decline with increase in PCGDP across the countries as well as with increases in PCGDPA

The rankings of different countries in terms of RA differ substantially from those in terms of RN (Table 1 columns 10 and 11) Colombia and India which are ranked first and second in terms of RA are found to be ranked sixth and ninth in terms of RN On the other hand Malawi and Philippines which are ranked eleventh and twelfth in terms of RA are found to get respectively the first and fifth rankings in terms of RN Similarly Korea and the US which are found to have the lowest exemption limit ratio RA are not found to have the lowest ratio RN—instead they are placed among countries with middle rankings

The relationship between exemption limit ratios and per capita incomes is analysed subsequently

IV

The Methodology

The ratio (R) of the exemption limit to per capita income can be expressed as a function of per capita income (PCI) and the ratio of personal income taxes (and social security contributions, wherever applicable) to the total tax revenue (ITR) as

(1) $R = f(PCI, ITR)$

The higher the PCI of a country the lower is likely to be the exemption limit ratio (R) Countries relying more on direct taxes and specifically more on personal income taxes may adopt lower exemption limits to have a broad base of individuals taxes So the higher the ITR of a country it may be expected that the lower ought to be the exemption limit ratio (R)

For the purpose of studying the relationship of R with PCI and ITR, we have chosen the following alternative functional forms of relation (1)

(2) $R = \beta_1 PCI + \gamma_1 (1/PCI) + \delta_1 ITR$

(3) $LR = \beta_2 LPCI + \gamma_2 (1/PCI) + \delta_2 LITR$

(4) $LR = \beta_3 LPCI + \gamma_3 (1/LPCI) + \delta_3 LITR$

NOTICE

It is hereby notified for the information of the public that **Herbertsons Limited** proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under Sub Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the establishment of a new undertaking as a division of the Company Brief particulars of the proposal are as under

1	Name and address of the owner of the Undertaking	**HERBERTSONS LIMITED** 22 Homi Mody Street Bombay 400023
2	Capital Structure of the Applicant Organisation	Authorised Rs 500 Lacs Issued & Fully Paid up Rs 228 48 Lacs
3	Management Structure of the Applicant Organisation indicating the name of the Directors & Manager if any	a Mr Vijay Mallya b Mrs Ritu Mallya c Mr SV Divecha d Mr VA Castellino e Mrs Samira Mallya f Mr DR Pinge
4	Whether the proposal relates to the establishment of a new undertaking or a new Unit/Division	New Unit as a Division of the Company
5	Location of the New Unit	Aurangabad District Maharashtra State
6	In case the proposal relates to the production/storage supply distribution marketing or control of any goods articles indicate	
	a Names of the goods/articles	Potable Alcohol
	b Proposed Licensed Capacity	50 Lac Litres/Annum
	c Estimated Annual Turnover	Rs 7 50 Crore
7	Capital Structure of the proposed Undertaking	The proposed undertaking will be a unit of the applicant organisation and therefore will not have a separate capital structure
8	In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value in come, turnover etc	Not Applicable
9	Cost of the Project	Rs 16 5 Crores
10	Scheme of Financing indicating the amounts to be raised from each source	Partly from Internal Accruals and the balance by raising Loans and Leasing

Any person interested in the matter may make a representation to the Secretary Department of Company Affairs, Government of India Shastri Bhavan, New Delhi 110001, within 14 Days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein

for **HERBERTSONS LIMITED**

Dated 16th June 1989

DR PINGE

Where LR, LPCI and LITR denote the log values of R, PCI and ITR respectively β_1, β_2, β_3, γ_1, γ_2, γ_3 and δ_1, δ_2 and δ_3 are the parameters to be estimated

The expected values of β_1 β_2 β_3 δ_1, δ_2 and δ_3 are negative γ_1 γ_2 and γ_3 can take any value This is so because a country with a higher PCI is expected to have a lower R Similarly a country that depends relatively more on individuals' taxes is also expected to register a lower R The inverse term 1/PCI' or '1/LPCI allows the relation between R and PCI to vary among the countries with respect to their level of economic development judged in terms of PCI

In equation (2) for β_1 0 $\gamma_1 < 0$ would mean that the decline (rise) in R following a unit rise in PCI is higher (lower) among the countries with higher PCI, whereas for β_1 0 $\gamma_1 > 0$ would mean that the rate of decline in R following a unit rise in PCI is lower among the countries with higher PCI and insignificance of γ_1 would mean that R falls by a constant value β_1 following a unit rise in PCI A positive (negative) value of δ_1 would mean that R rises (falls) by a constant value δ_1 following a unit rise in ITR [3] Equations (3) and (4) may be interpreted in a similar manner

The per capita income (PCI) of different countries can be defined in at least two ways The first and the obvious one would be in terms of US dollars at the official exchange rate The second would be in terms of US dollars at the official exchange rate adjusted by the Kravis index for parity in purchasing power among different countries The latter concept of PCI seems to be preferable to the former though several researchers have questioned the Kravis approach [see for example Isenman (1980)] We have obtained the estimates of equations (2) to (4) by using both the concepts of PCI with a view of bringing out the implications of the above concepts

As suggested above the exemption limit ratio (R) like PCI is defined in two ways The first is in terms of the ratio (RA) of actual exemption limit to per capita income The second is in terms of the ratio (RN) of the notional exemption limit (taken to be the level of income at which the 25 per cent marginal rate of tax becomes applicable) to per capita income Estimates of equations (2) to (4) are obtained by using both the concepts of R i e, RA and RN

The choice between equations (2) to (4) is dependent essentially on the econometric fit The one which gives the statistically better fit is taken to be the preferred equation for our purposes Different equations may be found to give better fits with different combinations of R and PCI i e, RA and PCGDP, RA and PCGDPA RN and PCGDP, and RN and PCGDPA

Countries with exemption limits above or below a norm can be identified by comparing the estimated values of R obtained by using a preferred estimated equation with the actual values of R Countries with the actual exemption limit ratio greater (lower) than the estimated value can be identified as those with exemption limits that are higher (lower) than the norm Different countries can be ranked according to an index of deviation of actual value of R from its estimated value which can be defined as

$$(5)\ I = \frac{\text{actual R} - \text{estimated R}}{\text{actual R}}$$

This index may rank different countries in different ways depending on the concept of PCI (PCGDP or PCGDPA) and that of R (RA or RN) used in the estimated equations

A positive (negative) value of the index I for a country would mean that the exemption limit in that country is greater (lower) than the norm Values of I of 0 50 and 0 75 suggest that the actual exemption limit is respectively two-fold and four-fold as that of the norm Similarly, values of I of −0 50, 1 00 and −2 00 suggest that the exemption limit is respectively two-thirds, half and one third of the norm

The Results

Each of equations (2) to (4) were estimated by ordinary least squares separately with each of the four combinations of R and PCI, i e, (RA PCGDP), (RA, PCGDPA) (RN, PCGDP) and (RN, PCGDPA) In all these cases, equations (3) or (4) gave better fits as compared to equation (2) evaluated in terms of the explanatory power of the equations (R^2), significance of the coefficients of the exogenous variables

TABLE 2 PARAMETER ESTIMATES OF EQUATIONS OF ACTUAL EXEMPTION LIMIT RATIO (RA)

Eq No	Per Capita Income (PCI)	R	SEE	Coefficient of log PCI	1/log PCI	1/PCI	log ITR
1	PCGDP	0 48	0 85	0 5256	0 1054		0 0504
				(5 16)	(1 13)		(0 46)
2	PCGDP	0 48	0 85	0 5622		0 2104	−0 2289
				(4 94)		(1 20)	(1 13)
3	PCGDP	0 48	0 86	0 4902			- 0 0214
				(5 03)			(0 20)
4	PCGDP	0 45	0 84	0 4901			
				(5 13)			
5	PCGDPA	0 43	0 90	0 5154	0 0055		-0 2041***
				(4 72)	(0 22)		(1 70)
6	PCGDPA	0 42	0 88	0 6149		0 6907	0 5393**
				(5 42)		(1 95)	(2 68)
7	PCGDPA	0 42	0 88	0 5151			0 2089
				(4 81)			(1 80)

Notes PCGDP Per Capita gross domestic product
PCGDPA Per capita gorss domestic product adjusted by the Karvis index of parity in purchasing power among different countries
ITR Individual tax ratio i e the ratio of tax revenue from personal income tax to total tax revenue of the central government
* Significant at 99 per cent level of confidence
** Significant at 95 per cent level of confidence
*** Significant at 90 per cent level of confidence
SEE Standard error of the estimates
Dependent variable in the equations is log of actual exemption limit ratio (RA) i e, log RA

TABLE 3 PARAMETER ESTIMATES OF EQUATION OF NOTIONAL EXEMPTION LIMIT RATIO (RN)

Eq No	Per capita Income (PCI)	R	SEE	Coefficient of Log PCI	1/Log PCI	1/PCI	Log ITR
1	PCGDP	0 73	0 73	−0 3604*	0 1417 *		−0 8453*
				(4 15)	(1 79)		(9 10)
2	PCGDP	0 70	0 78	−0 3054*		0 0216	−0 7851*
				(2 94)		(0 13)	(4 24)
3	PCGDP	0 69	0 76	0 3128			−0 8063*
				(3 62)			(8 55)
4	PCGDPA	0 67	0 80	−0 3111*	0 0104		−0 9289*
				(3 18)	(0 47)		(8 63)
5	PCGDPA	0 67	0 81	−0 3194		−0 0526	−0 9449*
				(2 90)		(0 15)	(4 83)
6	PCGDPA	0 67	0 79	−0 3118*			−0 9197*
				(3 24)			(8 84)

Note Same as in Table 2 excepting that the dependent variable in the equations is log of notional exemption limit ratio (RN) i e, log RN

and the standard error of the estimates Parameter estimates of equations (3) and (4) are given in Tables 2 and 3 Parameter estimates of these equations with dependent variable as log RA are reported in Table 2 and those with dependent variable as log RN are reported in Table 3 The explanatory power of the equations with dependent variable log RN is substantially higher than those with dependent variable log RA This is in fact what one would have expected Our analysis suggests that some of the countries rather than opting for a higher exemption limit have settled for a low exemption limit with very low marginal rates of tax at initial levels of incomes These are France West Germany Luxembourg and the Netherlands The variation caused by this factor in RA could not be explained by the variables included in the functional specifications whereas RN is free from this variation and is thereby explained better by the variables included in the specifications

It would be noted from Tables 2 and 3 that the coefficients of the logs of PCI and ITR are significant with all the four combinations of (R and PCI) except that the coefficient of log ITR is not significant with the combination (RA PCGDP) This seems to suggest that per capita income and the ratio of personal income tax to total taxes significantly affect the exemption limit ratio The inverse of the log of PCI is significant only with the combination (RN PCGDP) and the inverse of PCI is significant only with the combination (RA PCGDPA) Depending on the explanatory power of the equations the significance of the coefficients and the standard error of the estimates the equation that gives the better fit differs with respect to different combinations of (R and PCI) For the combination (RA PCGDP) equation 4 in Table 2 with the exclusion of the inverse of PCI and log ITR terms seems to give the better fit With the combination (RA PCGDPA), equation 6 in Table 2 with the inclusion of inverse of PCI and log ITR terms seems to give the better fit With the combination (RN PCGDP) equation 1 in Table 3 with the inclusion of the inverse of log PCI and log ITR terms seems to give the better fit Lastly with the combination (RN PCGDPA) equation 6 in Table 3 with the exclusion of the inverse of PCI but inclusion of log ITR seems to give the better fit The expected signs of the coefficients of the explanatory variables are obtained in these equations These better fit equations with different combinations of (R and PCI) are chosen for setting exemption limit ratio norms for different countries Exemption limit ratio norms are thus given by estimated values of the ratio by using these better fit equations Based on the actual and estimated values of the exemption limit ratio the index of deviation of the actual value of the exemption limit from its estimated value 'I' is calculated with respect to each of the four combinations of (R and PCI) The values of index I with the combinations (RA and PCGDP) and (PC PCGDPA) are given in Table 4 and those with the combinations (RN and PCGDP) and (RN, PCGDPA) are reported in Table 5

The values of index I based on the combination (RA PCGDPA) given in Table 4 (column 3) suggest that the actual exemption limit is greater than four fold of the norm in Colombia and Denmark greater than twice the norm in India and Spain greater than one and a half times the norm in Kenya, Pakistan and Jamaica around the norm in Mexico Brazil, the UK Ireland Sri Lanka the Netherlands Malawi Malaysia Luxembourg Japan and Italy less than two thirds of the norm in Germany Austria and the US less than half the norm in Thailand, Philippines and Zambia and less than one fifth of the norm in Korea Implications of the values of the index, based on the combination (RA PCGDP), i e, with unadjusted PCGDP given in Table 4 (column 2) however would have been slightly different from those stated above with the combination (RA PCGDPA) The extent of excessive exemption limit would have been overestimated in Pakistan, Mexico and Sri Lanka and underestimated in Kenya and Spain The extent of short fall in the exemption limit would have been underestimated in Thailand Philippines and Korea and overestimated in Malawi Italy the US and Zambia The policy applications of the above findings would seem to be that the exemption limit ought to be lowered in Colombia Denmark India Jamaica Kenya Pakistan and Spain

The value of index I based on the combination (RN PCGDPA) given in Table 5 (column 3) suggest that the notional exemption limit is greater than four fold the norm in Colombia greater than twice the norm in Malawi, Brazil and Japan, greater than one and a half the norm in Thailand the US Mexico Kenya Denmark and Malaysia around the norm in Korea, Italy Spain Philippines the Netherlands Pakistan France and Luxembourg, less than half the norm in India Jamaica, Ireland the UK Austria and Sri Lanka, and less than one third the norm in Zambia and West Germany However the implications of the values of the index based on the combination (RN PCGDP), i e, with unadjusted PCGDP given in Table 5 (column 2) would have been slightly different from those stated above based on (RN, PCGDPA) The extent of excessive exemption limit would have been overestimated in Thailand and Denmark, and underestimated in Colombia, Malaysia and Korea Further, this would have placed Jamaica among the countries with exemption limit close to the norm instead of among those with exemption limit less than half the norm An implication of the above findings is that the level of income at which the marginal rate of 25 per cent is applicable is high in Brazil, Colombia, Denmark, Japan, Kenya, Malaysia, Malawi, Mexico and the US, and low in Austria, Germany, India, Ireland, Jamaica, Sri Lanka, the UK, and Zambia

A comparison of column (3) in Table 4 with that in Table 5 reveals substantial variation in the comparative picture of different countries based on the actual and notional exemption limit ratios Countries such as India Pakistan, and Jamaica which were found to have the exemption limit substantially higher than the norm based on the former ratio are found to have the exemption limit substantially lower than the norm based on the latter ratio On the other hand countries such as the US and Thailand which were found to have the exemption limit substantially lower than the norm based on the former ratio are found to have the limit substantially higher than the norm based on the latter ratio This is attributable to the low minimum marginal rate of tax and low exemption limit in the latter category of countries as compared to the former category of countries An implication of these findings is that in the former category of countries a lowering of the actual exemption limit should be accompanied by a simultaneous lowering of the marginal tax rates at low levels of income, and in the latter category a raising of the exemption limit should be accompanied by a simultaneous raising of the marginal tax rates at low levels of income For example, the exemption limit in India based on RA is greater than twice the norm but when judged in terms of RN it is less than half the norm This suggests that the actual exemption limit in India should be reduced to half the present amount and simultaneously, the marginal tax rates at low income levels ought to be lowered such that the marginal rate of 25 per

TABLE 4 INDEX OF DEVIATION OF ACTUAL EXEMPTION LIMIT RATIO (RA) FROM THE NORM

Country	With RA and PCGDP	With RA and PCGDPA
Colombia	0 82	0 86
Denmark	0 86	0 81
India	0 63	0 61
Spain	0 37	0 54
Kenya	0 27	0 44
Pakistan	0 59	0 43
Jamaica	0 42	0 39
Mexico	0 41	0 26
Brazil	0 14	0 18
UK	0 14	0 18
Ireland	0 15	0 13
Sri Lanka	0 35	0 05
The Netherlands	−0 06	0 03
Malawi	−2 05	−0 09
Malaysia	0 30	-0 10
Luxembourg	−0 19	−0 17
Japan	−0 09	−0 17
Italy	−0 48	−0 26
France	−0 40	−0 35
West Germany	−0 71	−0 50
Austria	−0 60	−0 52
USA	−1 26	−0 69
Thailand	−0 82	−1 34
Philippines	−0 80	−1 52
Zambia	−3 39	−1 84
South Korea	−3 56	−4 69

cent becomes applicable at an income level above twice the current actual exemption limit The exemption limit in the US based on RA is less than half the norm and the one based on RN is greater than one and a half times the norm

Our analysis reveals that the exemption limit in Spain based on RA is greater than twice the norm and the one based on RN is close to the norm This suggests that the actual exemption limit in Spain should perhaps be reduced to less than one half by carving out a low rate bracket from the current exemption limit so that the marginal rate of 25 per cent continues to be applicable at an income level as per the existing rate schedule The exemption limit in Mexico and Brazil based on RA is around the norm and the one based on RN is around twice the norm This implies that the marginal rate of 25 per cent is applicable at a relatively high level of income The rate structure in these two countries need to be adjusted to raise the marginal rates at low income levels The exemption limit in West Germany and Austria based on RA is around three fourths of the norm and if based on RN is less than half the norm This gives a signal for raising the exemption limit and lowering the tax rates at low income levels in these two countries

VI
Exemption Limit in India

The exemption limit in India currently stands at Rs 18,000 In 1984-85 the limit was Rs 15 000 With each passing year there is clamour in several quarters for increasing the exemption limit principally on the ground that inflation cuts into the real incomes of

TABLE 5 INDEX OF DEVIATION OF ACTUAL EXEMPTION LIMIT OF RATIO (RN) FROM THE NORM

Country	With RN and PCGDP	With RN and PCGDPA
Colombia	0 45	0 78
Malawi	0 56	0 63
Brazil	0 50	0 62
Japan	0 55	0 50
Thailand	0 70	0 49
USA	0 54	0 49
Mexico	0 36	0 46
Kenya	0 47	0 46
Denmark	0 54	0 43
Malaysia	0 18	0 37
South Korea	0 11	0 32
Italy	0 16	0 13
Spain	0 05	0 12
Philippines	0 17	0 07
The Netherlands	0 09	−0 02
Pakistan	−0 12	−0 06
France	0 23	−0 39
Luxembourg	−0 22	−0 44
India	−1 34	−1 07
Jamaica	0 08	−1 17
Ireland	−1 24	−1 26
UK	−1 16	−1 29
Austria	−1 27	−1 49
Sri Lanka	−2 09	−1 85
Zambia	−2 11	−2 44
West Germany	−2 25	−2 69

households and business firms The consequences of inflation also eventually show up in upward wage revisions which leads to what is known as bracket creep' whereby tax payers move into higher tax brackets even though their real incomes may not have risen or perhaps even might have fallen This will perhaps have some consequences for the notional exemption limit exercise we have carried out above However our presumption throughout has been that inflation would push up by a constant fraction both the per capita incomes on the one hand and the actual or notional exemption limit on the other

Even so it might be useful to look at the exemption limit and the consumer price index (CPI) in India for some selected years from 1960 61

Financial Year	Exemption Limit (Rs)	Consumer Price Index 1960 100
1960 61	3 000	100
1974 75	6 000	221
1975 76	8 000	270
1977 78	10 000	277
1980 81	12 000	330
1981 82	15 000	369
1986 87	18 000	568

It should be quite apparent that the exemption limit as well as the consumer price index have more or less moved up in tandem For some years e g 1977 78 and 1981 82 the exemption limit appears to have been over corrected vis a vis inflation whereas for some other years e g 1986 87 the exemption limit appears to have been under corrected

The main burden of our analysis above suggests that with reference to an inter country comparison of per capita incomes the exemption limit is among the highest in the world This conclusion is unaffected by inflation However the conclusion may well be affected by other significant features of the tax system such as the share of direct to indirect taxes, the reliance on non tax revenues and public borrowing, etc, and indeed it would also be affected by the structural features of the economy as a whole The latter would include, among others, factors such as the level of development of the country the share of agriculture, industry and the services in the national income,[4] the share of the export sector, etc

When the analysis is carried out with respect to the notional exemption limit it emerges that India's exemption is, after all, not among the highest in the world The starting marginal tax rate of 25 per cent appears too steep There is perhaps a very good case for tempering the marginal tax rate applicable on the first slab This could perhaps be set at around 15 per cent or so There is however, no case whatsoever for increasing the exemption limit as such beyond the present level of Rs 18,000 Our analysis suggests that this level itself is very high, and in keeping with the international comparison that we have worked out, it should, if anything, be lowered But we also realise that contemplating any lowering of the exemption limit would perhaps be politically inexpedient The limit should therefore be allowed to stay put with inflation being gradually allowed to reduce the real value of this sum

This would also be in keeping with the general thinking among tax theorists today, which seems to suggest that the base ought to be widened to bring one closer to the notion of a comprehensive income tax and there ought to be a few tax slabs with the top rate not being too high Seminal work in the area of optimal income tax by Mirrlees [1971] Sheshinski [1972], Atkinson [1973] Sadka [1976] and others seems to suggest that the top marginal tax rates ought not to be in excess of 40 per cent or so for a wide variety of specifications of income profiles and individual utilities

VII
Conclusions

Per capita income and the ratio of income tax to total tax revenue seem to have a significant effect on the ratio of exemption limit to the per capita income of a country

The actual exemption limit is found to be high in Colombia, Denmark, India, Jamaica Kenya, Pakistan and Spain, and low in Austria, Germany, Korea, Philippines, Thailand the US and Zambia

The notional exemption limit, defined in terms of the level of income at which the marginal rate of 25 per cent is applicable, is found to be high in Brazil, Colombia, Denmark, Japan Kenya, Malaysia, Malawi, Mexico and the US, and low in Austria, West Germany India, Ireland Jamaica, Sri Lanka, the UK and Zambia

Our study suggests that the actual exemption limit and the marginal tax rates at low levels of income should be lowered in India, Pakistan Jamaica and Spain and raised in the US and Thailand Signals are also noted for raising the exemption limit and lowering the tax rates at low income levels in Austria and Germany, and for raising the marginal tax rates at low levels of income in Brazil and Mexico

Notes

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1 This excludes deductions specifically allowed for dependent children or parents, marriage allowance, etc

2 PCGDPA is PCGDP adjusted for purchas

ing power parity by the Kravis index

3 From equations (2) (3) and (4) we have

$$\frac{dR}{dPCI} = \frac{\beta_1}{PCI} \quad \text{and} \quad \frac{dR}{dITR} = \delta_1 \quad (2)$$

$$\frac{dR/R}{dPCI/PCI} = \frac{\beta}{PCI} \quad \text{and} \quad \frac{dR/R}{dITR/ITR} = \delta \quad (3)$$

$$\frac{dR/R}{dPCI/PCI} = \frac{\gamma_1}{PCI} \quad \text{and} \quad \frac{dR/R}{dITR/ITR} = \delta \quad (4)$$

4 This factor is particularly crucial because countries such as India do not levy personal income taxes on agricultural income

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HERCULES HOISTS LIMITED

FORM IA

[See Rule 4A(1)]

It is hereby notified for the information of the public that **M/s. HERCULES HOISTS LIMITED,** 110 MINERVA INDUSTRIAL ESTATE, MULUND (W) BOMBAY 400 080 proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under sub section (1) of section 21 of the Monopolies and Restrictive Trade Practices Act 1969 for *Substantial Expansion* (flexibility of manufacturing various products within the overall licensed capacity) of their undertaking Brief particulars of the proposal are as under

1	Name and address of the owner of the undertaking	**M/s Hercules Hoists Limited** 110 Minerva Industrial Estate Mulund (W) Bombay 400 080
2	Capital structure of owner organisation	Authorised Capital Rs 1 00 00 000 Subscribed and Paid up Capital Rs 40 00 000
3	Location of the unit or division to be expanded	Same as in 1 above
4	In case the expansion relates to the production storage supply distribution marketing or control of goods indicate	
	i) Names of goods ii) Licensed capacity/turnover before expansion	Name of the product / Licensed capacity Chain Pulley Blocks 9,400 Electric Hoists 1 200 Trolleys 2 500 Ratchet Hoists 300 Total 13 400
	iii) Expansion proposed	Flexibility to manufacture each of the above products in the overall licensed capacity of 13 400 numbers
5	In case the expansion relates to any service state the extent of expansion in terms of usual measures such as value turnover income etc	Not Applicable
6	Cost of the project	Nil
7	Scheme of finance indicating the amount to be raised from each source	Not Applicable

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India, Shastri Bhavan New Delhi within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein

For **Hercules Hoists Limited**

Bombay,
Dated 1st July 1989

G Narayana Sarma
Secretary

'Science' in Service of Monopolies

Universal Salt Iodisation Policy

K P Aravindan

The ubiquitous common salt, which once was the symbol of our struggle for national liberation, will soon be no more The low cost crystal salt will be replaced by higher priced, fine iodised salt coming in sleek bags and carrying brand names made familiar by the electronic and other media Another item of mass consumption is thus going to be fully integrated into the advanced capitalist market economy The change-over will be effected by suitable legislation enacted by the government, buttressed by arguments put forth by a neutral, disinterested' scientific establishment The monopoly sector of the Indian industry will chip in their might guided of course by the noble' pursuit of profit Naturally all of this will be done in the name of the poor, suffering millions, so that questioning it would be made to appear almost blasphemous

The object of this article is to raise exactly a few of such blasphemous questions

ENDEMIC goitre is enlargement of the thyroid gland seen in a significant number of people in a population This has been described in India from almost the vedic times *Charakasamhita* and *Susrutasamhita* refer to neck swellings in what are most likely cases of goitre It is known from the early part of the century that the inhabited valleys of the Himalayan massif is one of the world's largest continuous areas of goitre prevalence[1]

The development of goitre or thyroid enlargement can be due to various factors Undoubtedly deficient intake of iodine is the most important of these causes Iodine is necessary in minute quantities for the thyroid gland to synthesise its hormone thyroxine This iodine is usually made available through the food and water In areas where iodine is deficient in the water and soil goitre incidence increases In some other areas substances taken in the food can block the entry of iodine into the hormone Such substances called goitrogens are known to be a cause of endemic goitre either acting alone or in consonance with iodine deficiency

It has been established beyond doubt that in the sub Himalayan belt extending from Kashmir to Assam iodine deficiency is the cause of goitre[1] The water and the food grown in the area is deficient in iodine and the people consume little or no fish and meat which are rich sources of iodine due to poverty and unavailability

In such areas of the world various ways have been thought of, by which iodine can be supplemented in the diet The most successful way this can be achieved is by iodising salt used for human and animal consumption This is done by adding a specific amount of potassium iodide or iodate to the salt at the point of manufacture

Apart from the cosmetic problem caused by a greatly enlarged thyroid gland, it is also found that in areas of high endemicity of goitre some children are born with gross mental retardation, deaf mutism and other physical abnormalities (cretinism) Prevention of this unfortunate disease is another important aim of salt iodisation[2]

Recognising the public health problem posed by the sub Himalayan endemic goitre the government of India initiated the National Goitre Control Programme in 1962 The modus operandi of this scheme was to (i) survey the suspected endemic areas (ii) supply of iodised salt to the areas (iii) prohibit the sale of non iodised salt in those areas and (iv) resurvey after periodic intervals to assess the impact of the programme The government set up salt iodation plants in the public sector in Rajasthan Gujarat Assam West Bengal and Himachal Pradesh The state owned Hindustan Salts was given the sole monopoly for the production of iodated salt [3]

Despite these measures the National Goitre Control Programme languished after a promising start The sad story of its mismanagement was sharply attacked by C Gopalan the former director of ICMR [4] This led to the setting up of a working group by the GOI to review the entire working of the National Goitre Control Programme It is the acceptance of the suggestions made by the working group that led to the policy of universal iodisation of common salt [3]

STRANGE RECOMMENDATIONS OF WORKING GROUP

To any discerning observer the causes of failure of the programme in the endemic areas were obvious The working group seems to have glossed over these entirely

(1) The public sector units which were entrusted with the production of iodated salt were not able to produce the required amounts The fact was accepted tamely without going into the reasons The disinterest and lack of political will of the government is not seen as the most important factor This was no doubt influenced by the urgings of the private salt manufacturers The fact that this is not due to the innate inefficiency so often attributed to the public sector is borne out by the efficient functioning of the undertakings in which the government is really interested—look at the companies manufacturing condoms for the government's family planning project!

(2) The failure of health education campaigns to make the people in the endemic areas aware of the need to consume iodised salt Such an education campaign relating to their daily life situation would have gone a long way towards the success of the programme This lack of enthusiasm is again in striking contrast to the missionary zeal of the LP propaganda

(3) Iodised salt was not made available in the endemic areas at the same or lower prices as compared to uniodised salt This led to the smuggling and selling of cheaper non iodised salt There was no administrative willingness to check this In the absence of a proper health campaign people went in for the cheaper salt

(4) Some of the salt sold as iodised was in fact not so at all There were no proper quality control measures to detect this

(5) Transport bottlenecks led to further non availability in areas where it is most required

The working group instead of studying the causes of this failure and giving suggestions for the streamlining of the existing production and distribution system seems to have arrived at totally different and strange conclusions It recommended that the only solution is to go in for universal iodisation The reasons given were

1 It was administratively difficult to prevent entry of non iodised salt in the goitre endemic areas
2 The problem of goitre and IDD was widely prevalent throughout the country and new endemic areas were frequently being identified
3 The use of iodised salt by normal healthy individuals was not a health hazard [3]

Increased production is sought to be achieved by throwing open the production of iodised salt to the private sector As regards distribution and quality control, despite platitudes the underlying hope seems to be that the market forces will take care of everything As regards the second and third reasons, they seem to be put in as afterthoughts based on scientific evidence' so conveniently supplied

The working group recommendations and the government policy announced shortly

thereafter is not based on a realistic assessment of the causes of earlier failure To quote Gopalan a supporter of the policy "It will be a serious and naive miscalculation to expect that by just extending the salt iodation programme to cover the entire country implementation will be simplified and current deficiencies will be automatically overcome '[5]

Socio Economic Cost of Universal Iodisation

Fate of the small manufacturers About 9 million tons of salt is produced in India annually Except for negligible amounts it is mainly from sea water in the states of Gujarat Tamil Nadu Maharashtra and Andhra Pradesh About 10 000 manufacturers are involved in this production 50 per cent of the salt used for human consumption is produced by the small scale manufacturers with fields less than 40 hectares in size[6]

The process of iodisation can be done in different ways The spray mixing technology is the one favoured by the government and UNICEF Moreover only this technology can iodate salt in large quantities (5 tons per hour) and ensure uniform mixing of salt Government of India has decided to supply potassium iodate free of cost to the manufacturers But the experience so far has been that the delivery is not prompt[7]

The real problem for the small manufacturer is that an initial capital investment of 3 5 lakh rupees is needed for one spray mixing unit which most of them are in no position to raise Moreover for those with smaller fields (the vast majority) this technology is not cost effective A further snag is that the manufacturers have to set up and maintain a quality control laboratory which adds to the initial and recurring expenditure Newer regulations about packaging will also be disadvantageous for the small scale sector

To add to their woes is the competitive selling of iodised salt under different brand names In the resultant free market warfare it will be a great wonder if the small scale sector survives In all likelihood the monopoly houses like Tatas who have now entered this field will make full use of the new policy to drive the small manufacturers out of business with their shrill advertising and aggressive marketing

Cost to the consumer Common salt sells in most areas of the country at a price of approximately 50 ps per kg The process of iodisation which involves extra expenditure tends to increase the price despite the subsidies Apart from the capital costs involved there is a definite increase in the continuous operating costs It is claimed that the minimum operating costs work out to about 11 paise per kilogram which is most probably an underestimate Of this only about 2 paise per kg is subsidised by the government in the form of free supply of potassium iodate

In actual fact the increase in prices would be out of proportion to the actual increase in expenses incurred This is already seen in the market where iodised salt sells for prices ranging from Rs 1 50 to Rs 3 per kg Only extreme naivette would permit the hope that this will come down in future The very success of the current strategy depends on the co operation of the private sector and it would be unrealistic to believe that they would be willing to forgo the current levels of profit in the industry As for the capability of the government to force the private sector to bring down the prices past experience in the different areas of industry should be an eloquent guide.

It is claimed that the costs of Rs 1 5 per kg and above is only that of refined iodated salt and that iodated crystal salt would sell cheaper as it already is in the endemic areas But the whole point is that the new policy with its emphasis on private sector and reliance of the market will help the big manufacturers using the continuous spray mixing technology and sophisticated packaging to prevail over the others It is feared that the crystal salt manufacturers (mostly small manufacturers and the public sector) will be pushed out of production There would be an inexorable shift towards refined salt aided by the regulations and policies followed UNICEF the active partner of the GOI in the implementation of the programme says in a document A lot of the salt in India is in crystal form Historically consumers have bought only crystal salt It is propsed that the common salt will be crushed before iodation This would be achieved in a phased manner and consumer education will be undertaken to change consumer preferences [6]

The final result would be that instead of salt now selling at 50 paise per kg it would cost a minimum of Rs 1 5 per kg This would cost the consumer a minimum of Rs 500 crore annually In other words the government would take Rs 500 crore from the poor citizen in whose name the policy is being pushed through and pass it on to the monopoly sector of Indian private industry

Cost to the government The government has committed an estimated Rs 210 million for the programme in the 7th Plan A further Rs 125 million is the projected cost for the 8th Plan period excluding the recurrent costs of the staff subsidy and other inputs Furthermore all the iodine that is required for the programme would have to be imported and paid for in foreign exchange It is only natural to ask whether this kind of expenditure would not have been more worthwhile if it was spent to make the already existing goitre control programme in the endemic areas a success

Fate of the endemic areas If the proposed increase in iodised salt manufacture does not keep up with the schedule, there is the real danger that the supply to endmic areas will worsen Previously the flow of iodised salt was from the production centres to the endemic areas Now with the policy of universal iodisation, it would be easier and more profitable for the private manufacturers to sell the higher priced salt in the metropolitan and well developed markets We may see a situation where people who really need the product do not get it while those who do not need it get a surfeit of the same This situation already exists for several products like drugs

Perhaps anticipating this it has been recommended that in the interim period (i e till iodised salt manufacture attains necessary levels) the people in the endemic area be covered by injections of iodised oil[6] But it has been pointed out that this would be prohibitively costly besides requiring large imports Moreover it is strange to suggest that areas which are inaccessible to common salt would be easily accessible to periodic massive injection programmes'[5]

Scientific Backbone of Universal Iodisation

The universal iodisation policy if pushed through as it is will be done at tremendous social and economic cost But the bitter pill would have to be swallowed willingly had the scientific argument in its favour been so strong as to make it imperative Faced with any criticism of its policy the authorities would take cover behind the shield of learned scientific opinion It is worthwhile to examine how foolproof the scientific arguments in support of universal iodisation really are

Virtually all the studies forming the basis of the new policy have been done by a handful of scientists mostly in the All India Institute of Medical Sciences The claim is that they have uncovered several new facts which challenge the conventional wisdom

The conventional wisdom till the late seventies has been that a programme for the prevention of endemic goitre can be justified only in terms of health If endemic goitre were merely a cosmetic problem there could be little justification for government action However large nodular thyroids may cause obstructive symptoms and may be subject to malignant changes In addition when endemic goitre is severe endemic cretinism is found also[9]

Leading from this the question was posed as to what level of endemic goitre or endemic cretinism justifies a prophylactic programme? Obviously the criteria accepted would vary according to the socio economic situation of a country Methods for grading goitres in surveys were developed whereby all goitres were graded on a scale from 0 to 4[10] In general it was suggested that a 5 per cent incidence of Grade I goitre in pre or peri adolescent school children or a 30 per cent incidence of goitre in the general population would certainly warrant some action, the presence in the population of 1 per cent persons who could be classified as cretins would demand early and urgent action[9]

The bedrock of the new policy is the purported new evidence unearthed by studies

done in India The main line of argument is more or less as follows

1 Previously it was thought that an adaptively enlarged thyroid gland compensated for iodine deficiency by stretching its capacity to put out enough thyroxine to meet bodily needs i e the patients are 'euthyroid (thyroid function normal) It is now claimed that more than half the goitrous persons in the severely endemic areas were hypothyroid' or that they had thyroxine deficiency[11]

2 Sub cretinous brain damage occurs in endemic populations in addition to overt cretinism[12] The argument is that even in areas with no increase in the rate of cretinism children have sub normal intelligence and this can be detected by IQ tests The problem of mental retardation may be much more extensive than was inferred originally from the observation that only less than one percent of children in goitre endemic areas suffer from cretinism New studies reveal that 15 per cent of children could be suffering from varying degrees of mental retardation[3]

The risk for such subnormal intelligence can be assessed by screening new borns for thyroxine deficiency By such methods in the severe endemic areas as much as one in six new borns are found to be thyroxine deficient at birth

3 Newer endemic areas in India are being found in surveys and the cause for endemic goitre in these areas is also iodine deficiency[11]

5 Prophylaxis of endemic goitre is best done by iodising salt Excess intake of iodine will not be a problem given the current levels of intake in any part of India[11]

Each thread in this line of argument needs to be examined in detail

CLAIM OF HYPOTHYROIDISM IN HIMALAYAN ENDEMIC GOITRE

The most quoted study in support of this claim is one by Kochupillai et al published in 1973[13] This article is cited often and with an air of finality to claim that as much as 60 per cent of the goitrous individuals are decompensated and subthyroid[14 15]

In reality all that the study shows is that the mean levels of TSH hormone is increased in the 26 goitrous subjects studied when compared to controls in England In fact the mean thyroxine (T4) levels were higher (significantly so in Grade I goitres) when compared to the same controls In a classical example of doublespeak the authors try to dismiss this by saying that possibly it is due to the fact that the controls were from England' True the authors find that the effective thyroxine available (represented by the values of FTR) is slightly reduced But the most important point actually seen from the results but only cursorily discussed is the fact that the second type of thyroid hormone called T3 is significantly elevated in the subjects when compared to the controls

Now what happens is that the thyroid enlarges in response to the increased secretion of the pituitary hormone TSH and makes more economical use of the iodine available by preferential secretion of triiodothyronine (T3) which is metabolically more active than thyroxine but contains less iodine (three atoms per molecule compared to four for thyroxine)[16 17] In these persons the normal function of thyroid is thus maintained

There is a tendency among some endocrinologists to use the term subclinical hypothyroidism in subjects with normal thyroxine and elevated TSH But this is apparently a misnomer To quote an eminent endocrinologist I question the wisdom of referring to patients with normal circulating thyroid hormone but elevated serum TSH values as suffering from subclinical hypothyroidism Hypothyroidism to my mind is a state in which there is inadequate supply of thyroid hormone to the tissues I would prefer the term inadequate thyroid reserve in analogy to other endocrine axis [18]

The misnomer becomes positively misleading when used in the lay press to whip up support for a policy as Kochupillai has done[11 19]

Some other attempts to present the above quoted study as something of a landmark again reveals a misleading propaganda streak out of place in a scientific article For example it is said of the 1973 study this was indeed disturbing information and lead to an editorial comment in *Lancet* about Theory and Practice of Endemic Goitre [14] A close reading of the said *Lancet* editorial[10] finds the work mentioned among many others It was certainly not the sole inspiration nor was the main theme of the editorial the same

CASE FOR SUBCLINICAL CRETINISM

In the mountainous terrain of the Himalayas there are pockets where endemic cretinism is seen in 1 4 per cent of the population Even higher figures are reported from parts of Nepal[1] But elsewhere in the sub Himalayan endemic the incidence is uniformly below 1 per cent[3] In the supposedly new endemic areas being uncovered endemic cretinism is not seen at all But suppose iodine deficiency produces milder forms of mental retardation' (The so called subclinical cretinism *a la* subclinical hypothyroidism that we have just examined) It then becomes a powerful and emotive argument for ramming down the new policy (the unseen drain of brain power of our future generations etc) So subclinical cretinism comes into the vocabulary and if it did not exist it had to be invented

The methodology adopted for proving the new hypothesis involves developmental and intelligence testing This approach is highly controversial and has been so riddled with a priori assumptions conscious fraud and politics that its very value and scientific objectivity has been seriously questioned[20, 21]

In one such study exactly 26 children of goitrous mothers are compared with 20 controls by using the Gessel development score[22] It is then concluded that the development quotient and language development is lower in the children of the goitrous mothers The mean DQ for the controls is 98 4 and that for others is 94 4 Using a convenient statistical test (t test) this has been shown to be a significant difference and profound conclusions drawn

Apart from conscious fraud resorted to by the likes of the great Cyril Burt which put mental testing into much disrepute[23] there are unconscious and theoretical errors which nullify its scientific value One such is reification i e belief that anything given a name (like intelligence) is a thing and can be measured on a metric scale like height or weight and can further be used for comparing people The fault in the logic in case of intelligence and developmental tests are clear The fact that it is possible to devise tests on which individuals score arbitrary points does not mean that the quality being measured by the test is really metric The illusion is provided by the scale The ordinal scale is an arbitrary one and most psychometric tests measure ordinals of this sort A person with an IQ of 100 is not twice as intelligent as one with an IQ of 50[24] Thus the statistical tests used to compare small differences in scores are inappropriate

A second criticism often levelled against these tests is that strong a priori assumptions alter the result even in the absence of fraud The tests do not represent the application of a neutral instrument a test by an objective tester to a testee whose performance is being measured Rather the results of a test are themselves the products of a three way interaction between the tester the test and the testee The tester s expectations of the testee s performance may itself modify that performance[25] It is seen that black children score better on IQ tests administered by a black (or even by a computer!) than by a white[26] This tester bias has led to such monumental errors as classifying the blacks and Asians as less intelligent than whites, women as less intelligent than men and so on[24]

Another important source for error is the socio cultural bias of the tests themselves In a country like India no single test may be appropriate for all the regions Yet using such a test battery children in Gonda have been branded less intelligent than those from the average Indian village[27] This is a slipshod work to say the least No controls seem to have been tested at all Instead, the normal values provided by the tests' designers have been taken Performance in intelligence tests especially for those who score between 50 and 75 are strongly influenced by factors like material deprivation, poor educational facilities family instability and lack of mental stimulation[28] Yet we find here supposedly serious scientists testing children from one of the poorest regions of India without even bothering to

set up a control and branding them as sub normal And to add to the original errors they unquestioningly attribute the low scores to iodine deficiency without caring to look for the other socio economic variables which could have given the same result

The claim for sub cretinous mental retardation is not supported by hard evidence If indeed it is present in such high proportions it is indeed strange that it is not accompanied by a concomitant increase in clinical cretinism The studies done by 'convinced' scientists using faulty and careless methods seem more like propaganda for their pet theme rather than real science

As of now the following comment by Clements in 1960 seems to be still valid "Mental deficiency without the other stigmata of cretinism has sometimes been considered to be a sequel of endemic goitre Most of those who have made this claim have not had close association with endemic cretinism Extensive investigations of mental defectives in non goitrous areas have failed to show any connection between thyroid function and mental deficiency There seems to be no justification for the statement that one of the sequelae of endemic goitre in the progeny is uncomplicated mental deficiency[35]

Neonatal Chemical Hypothyroidism

Proceeding from the assumption that milder forms of mental retardation due to iodine deficiency exists neonatal screening for thyroid status was organised in selected areas to detect those at risk[15 27] The indigenous development of effective technology to accomplish this was a commendable effort But the conclusions drawn from the studies are open to question

In this study the cord blood of newborns from the severe endemic areas were examined for T4 and TSH and compared with blood controls from Delhi and Kerala Using standard criteria it was found that 7 5 per cent in Gonda and 13 3 per cent in Deoria were hypothyroid, while there was no significant neonatal chemical hypothyroidism in Delhi or Kerala[27]

It is known that in iodine deficient areas, some children may be born with what is called transient neonatal hypothyroidism This abnormality is characterised by low serum T4 and high TSH concentrations and spontaneously corrects itself over five to six weeks[29] In Europe transient neonatal hypothyroidism has been related to iodine deficiency, since the incidence seems higher in regions of endemic goitre[30, 31] In one series of Belgian newborns, the prevalence of transient hypothyroidism was 12 per cent[29] Most cases occurred in the premature infants[32] The prevalence was 26 per cent in infants under 32 weeks and about 5 per cent in term infants Significant levels of transient neonatal hypothyroidism has been reported from Sicily[33]

In the studies quoted from India no attempts have been made to note the proportion of those with transient hypothyroidism There is further no attempt even to quantitate the proportion of premature infants Two of the articles published in 1984 are clear examples of evasion of the issue[14 15] Transient hypothyroidism is not even mentioned in the discussion It is difficult to believe that the authors were unaware of the condition which has been described as early as 1978 Moreover in one of the articles[15] the book containing a discussion on the subject is quoted in the bibliography in another context[30] This is an example of the kind of intellectual dishonesty that is seen in much of the work on iodine deficiency goitre in India

The problem of transient hypothyroidism is acknowledged in the discussion in a later paper by the same authors[27] (probably inserted after peer review) In it they admit that it could be important in iodine deficient areas but that they did not look for it because they considered it unethical to follow up these babies without treatment Again it is unlikely that they were unaware of the studies in which the babies were given T3 and followed up In transient hypothyroidism the T4 gradually rises under such conditions in a matter of weeks whereas in permanent hypothyroidism it does not[30] They could have easily tried this in at least a subset of these cases instead of starting them on thyroxine

Transient hypothyroidism should specifically have been looked for especially in areas like Gonda and Deoria of eastern UP where a higher proportion of birth complications and prematurity are likely among the hospital deliveries In the control areas of Delhi and Kerala this proportion would be much less because even most of the normal deliveries there take place in hospitals

Further it is not good policy to put babies with transient hypothyroidism on prolonged thyroxine treatment because of the danger of neonatal hyperthyroidism[34] There is also some evidence that in neonatal hypothyroxinemia (low T4 high TSH) found in iodine deficiency environments compensatory increase in T3 is encountered and the babies are compensated[31]

Undoubtedly more studies need to be done in this area before firm conclusions are drawn But one thing to be noted even at this juncture is that the control areas among which Delhi has been claimed to be a new endemic area is remarkably free from neonatal hypothroidism, whether transient or otherwise

New Endemic Areas

Starting from the fifties and till the seventies, the figures quoted for goitre incidence in India were 40 million people exposed with 9 million having goitre[1] Then in the eighties, almost simultaneously with the beginnings of the new policy we see a quantum jump in the estimates The newer estimates have the exposed population at 120 million with goitrous population of 40 million[36] Even higher figures of 300 million exposed and 60 million goitrous are sometimes bandied about[37]

There is reason to believe that the new figures are part of a campaign based on gross exaggeration It is generally part of an effort to impress the decision makers – political and bureaucratic – and to gain public acceptance for the new policy It is based primarily on the basis of surveys conducted in different parts of the country followed by blind extrapolation of data using faulty mathematical models

It is now claimed that of 132 districts studied 122 provided evidence of iodine deficiency goitre But there is no indication that these 132 districts or the areas surveyed were randomly selected On the contrary there is reason to believe that these areas were selected because they were suspected to be endemic for iodine deficiency Extrapolation from these to arrive at total figures would be highly fallacious It has indeed been claimed that the actual figures for the number of IDD in South East Asia (including India) have probably been overestimated by a multiplicatory factor somewhere between 5 and 6 due to the bias in the mathematical models used[38a]

Moreover the lay public including the decision makers are misled in another more subtle way They are told that there are 40 million goitrous people often accompanied by a photograph of a person with a large neck swelling The overall impression sought to be conveyed is that there are 40 million such people in the country As a matter of fact the vast majority of the supposed goitrous people have thyroids which cannot even be seen Even considering the figure of 40 million to be true calculations made from the rates of various grades of goitre in the different surveys [38 39 40 41] show that the visible goitres will not exceed 4 million The clinically significant cases causing cosmetic problems will not exceed 0 6 million If there is a tenfold overestimation in these figures the actual figures would be total goitrous 10 million visible goitres 1 million and those producing clinical problems 0 15 million

These projections are made considering the percentages of goitrous people obtained in the different surveys to be true In reality the surveys are liable to considerable bias and variation It has been mentioned that the large majority of goitres detected in such surveys are not visible but palpable only Any thyroid thought to be enlarged on palpation (a swelling as big as the terminal phalanx of the subject's thumb) is taken as a Grade 1 goitre[42] This is highly subjective When the surveyors are convinced of a high prevalence in an area this leads to unconscious inflation of the percentages Palpable and visible goitres can be overestimated in individuals with thin necks or poorly developed sterno mastoid muscles[9] This is another source of error in a poorly nourished population like ours

In the last few years one thrust of

argument has been that endemic goitre is no longer a problem of the sub Himalayan region alone and that it is widely prevalent in other parts of India also Surveys purporting to back this claim are few in number and subject to the same drawbacks mentioned above The chance of error is greater because in almost all these surveys the result indicate only mild or moderate endemicity (prevalence below 50 per cent)[39 41 43 44 45] The fact that such studies are limited to few isolated pockets has not prevented fantastic claims being made Even the maps have been redrawn to show the new found widespread prevalence of endemic goitre in India These maps are patently dishonest For example few isolated pockets in Maharashtra have been surveyed This has led to the whole state to be shaded and shown as endemic goitrous

One way of checking the veracity of these survey results is by reference to exacting biological data like that of iodine excretion in urine Urinary excretion of iodine as a proportion of the excretion of creatinine (iodine per gm of creatinine) when properly done is a good measure of iodine intake[42 46] Mean values of less than 50 ugms gm of creatinine in a population is indicative of moderate iodine deficiency Values less than 25 ugms indicate severe deficiency This can be tested on casual urine samples and is thus a relatively easy procedure[42] Yet very few such studies are available from India The occasional study from areas outside the sub Himalayan belt show no evidence of severe deficiency The results in some studies flatly contradict the results of the survey thus casting doubts about the reliability of the survey results For example Krishnamachari reports severe endemia from Maharashtra i e a 52 per cent prevalence But the urinary iodine per gm of creatinine in that population ranges from 52 ugms to 141 ugms Even the iodine content of drinking water in the area is normal Yet it is one of the surveys based on which the whole of Maharashtra is shown as endemic goitrous!

Pandav et al report a goitre incidence of 55 per cent from Kalkaji and Chandni Chowk areas of Delhi But this does not correlate well with their finding of mean urinary iodine/creatinine value of 48 ugm gm[40] They argue that this figure is artificially high because of the probability of low creatinine excretion by smaller Indian children They say that the figure of 50 ugm/gm as the cut off point for endemic iodine deficiency was proposed for western children and that this would exceed by 20 30 per cent the values appropriate for their Indian counterparts Here they are in error for the value of 50 ugm/gm of creatinine was proposed by Follis et al based on their findings in the Songkhla province of Thailand and there is no reason to believe that it would be substantially different from the Indian mean values[48]

There is however need to standardise the iodine excretion values in the Indian population for getting comparative data Differential values for boys and girls may be used depending upon their body weight[49] It has been suggested that measurement of iodine concentration alone in urine is sufficient especially for monitoring control programmes[42] Whatever it is iodine deficiency is best monitored and graded by the measurement of urinary iodine excretion Very little of such work has been done in India especially outside the Himalayan belt No attempts have been made to standardise the values Wherever goitre really exists scientifically and iodine excretion does not reflect the degree of deficiency to account for it goitrogens have to be looked for Such diverse things as contamination of water by sewage organochlorine pesticides and thiocyanate in tubers have been blamed in this context[42 50] Studies along these lines from India are singularly marked by their absence There is reason to believe that blind extension of the studies done in the sub Himalayan endemic to the rest of India may prove counterproductive in the long run

THE QUESTION OF SAFETY

The most hotly debated issue in the new policy concerns the safety of iodine prophylaxis Two extreme views are generally held On the one hand it is held that iodination of salt can produce as many problems as it solves and should not be resorted to at all The supporters of the policy on the other hand dismiss out of hand any reports regarding the complications Pandav et al mention allergic reactions to iodine iodine induced hyperthyroidism, iodism and iodide goitre as the generally reported complications They then proceed to demolish the claim for allergic reactions without discussing the others at all[51] Kochupillai in an article claims that up to 400 ugms intake of iodine is not only safe but salubrious[11] As with most extreme polemical views the truth resides somewhere in between

It is absolutely true that allergic reactions to iodine and iodism occur due to administration of pharmacologic doses of iodine and is absent in the usual prophylactic programmes But the following complications need to be given serious thought (a) iodide goitre (b) iodine induced thyrotoxicosis (c) sequelae of possible increase in salt intake

Iodide goitre It is well known that pharmacological excess of iodide can produce goitre[52] Extremely high intakes of iodide can produce endemic goitre as seen in the Hokkaido coast of Japan where it is due to high intake of the seaweed 'Kombu in soup[53] But can it also occur as the result of a prophylactic programme? The answer seems to be a qualified yes' It appears that milder forms of endemic goitre can be a result of prophylaxis with iodised salt A survey conducted in four areas of the US in 7,785 children showed an overall goitre prevalence of 6 8 per cent In Michigan state the prevalence was 9 8 per cent These endemic levels are seen many decades after the introduction of the salt iodisation programme In all these areas iodine intake was more than adequate with a mean urinary iodine excretion of 452 ugm gm of creatinine More interestingly it was found that children with goitre and areas with high goitre prevalence tended to have higher rather than lower iodine excretion[54] A ten-state nutrition survey of 35 999 people in the US similarly found a higher prevalence of goitre among persons excreting high levels of iodine 55] The same study found an overall prevalence of 3 1 per cent with a high of 7 2 per cent in California

It can however be argued that the overall incidence of goitre in the US was much higher prior to salt iodisation While this is no doubt true of the US it is by no means the rule For example there are reports that in Iran and Iraq the incidence of goitre among school children increased after prophylactic use of iodide[56] It is worth noting that such iodide goitres are mainly reported from the US and countries which have followed the US in using high levels of iodide in their salt iodisation programmes

Iodine induced thyrotoxicosis Mild iodide goitre produced by salt iodisation programmes if and when it occurs is only a minor public health problem But thyrotoxicosis i e disease due to hyperfunctioning of the thyroid gland is much more serious and cannot be dismissed lightly

Iodine induced hyperthyroidism the so-called Jodbasedow effect has been the subject of many reports since the beginning of this century Early reports noted the precipitation of hyperthyroidism in goitrous patients who were administered large doses of iodine The iodisation of salt in parts of the US in the 1920s seems to have been followed by a temporary increase in toxic nodular goitre (one form of hyperthyroidism) While the earlier reports were all in those receiving high doses of iodine, it was however convincingly shown that physiological doses can also provoke toxic goitre This was done in a study from Tasmania where a prophylactic programme based on iodation of bread was initiated in 1966[57] The incidence of thyrotoxicosis in Tasmania showed a steep rise in 1966 and this higher incidence was maintained in 1967 and 1968 The increase was evident after iodation of bread was begun

In defence of iodation programmes, it is however pointed out that the outbreak of thyrotoxicosis in Tasmania occurred predominantly in old people with long-standing nodular goitres It is also known that the iodation of bread was effective in bringing down the levels of goitre in the community[58] so that such forms of thyrotoxicosis disappeared along with endemic goitre from the region eventually

This argument is reasonable to a certain limit In an area where there are cases of endemic cretinism a few cases of thyrotoxicosis may seem a small price to pay for

getting rid of a graver problem But what about areas of moderate or mild deficiency where endemic cretinism is not seen at all'

It has also been stated that iodine induced hyperthyroidism is not seen in the Indian endemic area in spite of prophylaxis This is assumed to be due to the younger age structure of the population But this claim cannot be accepted blindly Has the surveillance for thyrotoxicosis been conducted at all? Who detects the random cases of toxic goitre occurring in far flung backward areas'

Thyrotoxicosis occurring as a temporary phenomenon in certain individuals in a goitrous population may be acceptable provided the prophylaxis that induced it finally gets rid of it This was the comfortable assumption till recently But what about the non endemic non goitrous areas? Can there be an increase in thyrotoxicosis in such a population as well? If so it would be a definite point against introduction of iodisation of salt in the non endemic areas

Recent studies in England show that the peak of onset of thyrotoxicosis occurs in the winter months[59] This has been shown to correlate with winter peak in milk iodide concentrations which in turn correlates with the urinary iodine excretion[60] Milk provides about half the adult iodine intake in Britain in winter The higher content of iodine in milk in winter is because the cattle are fed solely on cattle feed enriched with iodine and there is no grazing during the period The urinary iodine excretions are not particularly high with a median of 106 ugm gm of creatinine The study expresses concern that an excess of iodine may be harmful to some individuals and asks whether an alteration of iodine levels in cattle feed should be considered[60]

The whole question of levels of iodisation is also likely to be reopened by such findings High levels of iodisation as practised in the US and sought to be implemented in India may not be so salubrious after all

Possibility of increased salt intake Problems like hypertension can be precipitated by increase in the salt intake In many western nations the salt consumption is coming down as a result of this awareness In India however the way iodised salt is sought to be popularised raises genuine fears whether it will not lead to an increase in salt consumption

Iodised salt is presented almost as a restorative tonic with wondrous powers Companies advertise freely claiming that anything from dullness to squint is due to iodine deficiency and that iodised salt is the cure for it A private company has recently begun an advertising campaign presenting iodised salt as a healthy food' There is no medical or ethical justification for this type of action[42] Even the government is made to join in this unethical unscientific marketing blitz A comic book shows a boy performing badly in school and dropping catches in cricket After consuming iodised salt he is transformed into a brilliant student and a cricketing hero After reading such stuff how many mothers will be able to resist adding that little extra salt to their children's food' The most unfortunate bit is that the said publication is by the health and family welfare department of the GOI[61]

Towards an Alternative Strategy

The present strategy of universal iodisation is one in which the costs are borne by the consumers and the benefits accrue to the monopolies The real costs are likely to be higher than envisaged The costs presently calculated do not take into account the recurring expenditure for maintaining a vast network for quality control and underestimates the cost for several items like import of iodine Furthermore the programme is not likely to succeed because the focus has shifted from the areas of severe endemicity The whole programme is wasteful of resources and unmindful of the priorities facing the nation There is no appreciation for the opportunity costs of iodisation i e what other programmes with possible impacts on health such as immunisation or provision of safe drinking water could achieve with the same money The scientific data presented in support of the policy is open to question Clearly an alternative strategy is called for

Scientists are often trapped in the quagmire of their own reductionist thinking This leads them to propose simple 'technological fixes' for problems of complex socio economic origin The failure of national nutrition programme to solve the problem of malnutrition and of national blindness eradication programme to solve the problem of Vitamin A deficiency should have been eloquent pointers But no lessons seem to have been learnt Waiting in the wings of future technological fixes are fortification of salt with iron for anaemia and a host of other similar reductionist solutions

Endemic goitre too is a problem with socio economic developmental and ecological causes These have to be understood properly and solved sincerely Iodine deficiency of soil is related to flooding deforestation and soil degradation possibly related to the newer agricultural technologies A programme to combat iodine deficiency should essentially contain flood control measures checking deforestation soil improvement proper use of pesticides and fertilisers and general eco restoration These measures will also help the people in more ways than simply reducing the incidence of goitre

It is also known that lack of food exchanges are important in the causation of severe endemic goitre and endemic cretinism This is also a question of development It

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has been noted in Mexico that the simple measure of building a road in an inaccessible area resulted in more of food exchanges and disappearance of endemic cretinism. Development and ecology are thus the keystones of a permanent solution to the problem of IDD.

This is not to say that a salt iodation programme has no role. In the severely endemic areas one cannot wait for the general development to occur first. The birth of babies with endemic cretinism is a tragic waste of human resources. In fact this is the problem that needs to be tackled most urgently. Areas of severe and moderate deficiency (which occurs in the sub Himalayan belt) can be tackled best by a programme limited to those areas. In fact focus should not be allowed to shift from these areas by the imperatives of the free market economy.

This calls for revival and strengthening of the old National Goitre Control Programme. The anomalies discussed earlier need to be corrected and efficient implementation ensured. Increased production of iodised salt through the public sector, vigorous quality control along with proper administrative measures to check entry of non iodised salt and a proper public health education campaign in those areas should be the cornerstones of such a programme. Subsidy may be given at the level of the retailer or the consumer to bring the price of iodised salt at par with that of ordinary salt. In the most severely affected pockets with high rates of endemic cretinism, provision of iodised oil to expectant mothers could be considered. This can be done through the PHCs and can be integrated with the maternal and child health programmes.

Further studies to assess the problem in different parts of the country accurately are needed. Such studies should be based on the incidence of endemic cretinism and on urinary iodine excretion parameters. The problem of goitrogens in natural foods and in synthetic chemicals should also be subject of study.

The problem of IDD in India offers no easy solutions. Rather than instant bravado and shotgun solutions, a mature and realistic assessment of the whole problem is what is required. A national debate involving scientists, social workers, economists and politicians is called for.

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Sickness in Indian Textile Industry

Prafull Anubhai

BAGARAM TULPULE's comment (February 18) on our paper raises some issues which need to be clarified

Tulpule is not convinced that sickness is more prevalent in the composite sector than in the spinning sector For this he is relying only on the percentage of displaced workers in the two sectors Our contention that ' within the organised sector composite mills are worse off' was not based only on the analysis of closed mills Closure is the terminal point of sickness There are other units at different stages of sickness A study of the health of the industry focusing on the two sectors based on some direct and indirect indicators helps us to understand this point better We shall deal with these other indicators a little later

First let us deal with Tulpule's observations regarding closed mills and displaced workers Analysing the figures in Table 1 of our paper Tulpule observes

(i) According to Table 1 in his paper the percentage of sickness in composite mills is somewhat higher than in spinning mills

(ii) But the comparison of these percentages could be misleading If as is generally believed it is the weaving stage in the composite mills that has rendered them sick due to competition from powerlooms, it would be logical to infer that the spindleage in the composite mills is rendered idle not because the spinning operation becomes uneconomical but because the whole mill goes sick due to uneconomical weaving The higher percentage of closed spindles in composite mills is therefore of no special significance"

Let us take (i) above Whether one takes the number of closed mills or the percentage of capacity rendered closed, the difference of 50 to 60 per cent (18 over 12 or 16 over 10) cannot be termed as "somewhat" higher

Tulpule's contention that comparison of these percentages is "misleading is based on the verypoint we are making, viz, that the composite mills suffer more because of the competition of powerlooms Although there is some confusion in interpreting the data, we refrain from making any further comments on the same as we find that he has a priori assumed the observation we were making

Tulpule then argues that if the number of displaced workers in closed mills is taken as the indicator of sickness, then sickness would appear to be higher in spinning mills How valid is it to take such an indicator? In many cases, sickness is due to overstaffing When we are talking about relative sickness in the two sectors, to use this as an indicator is misleading Further analysis of our Table 1 brings out this point (see Table A) As can be seen in the table, the average size of the closed spinning mills (16 666 spindles) is less than the overall average size of spinning mills (18 490 spindles) and yet the average number of workers in such closed spinning mills (642 workers) is far higher than the general average number of workers in all the spinning mills (497 workers)

To sum up capacity closed is one of the relevant indicators of sickness and not the number of displaced workers There is little doubt about the comparative capacities closed here

Further our observation about sickness being more prevalent in the composite sector was based on several such indicators — number of units closed, growth of the spinning sector and the powerloom sector relative movement of yarn and cloth prices number of units falling sick and knocking at the doors of financial institutions and BIFR losses incurred by composite mills in the last two years compared to the profits of the spinning sector, over extension of suppliers credit in the composite mills, increasing debt burden, etc In a recent study done by ATIRA covering state textile units in Maharashtra Gujarat, MP and UP the finding was as under

> The financial performance of the spinning mills has been relatively better this group has shown cash profits in four out of the seven years covered by the study The composite mills on the other hand have been generally running with cash losses

From the latest IFC (Inter Firm Comparison) Study carried out by ATIRA on the profitability of textile mills, the trend that emerges is given in Table B The table brings out the trend in the relative health of the composite and spinning mills As this point was so generally accepted, we had refrained from elaborating it earlier

Tulpule questions our proposition that sickness is largely afflicting the organised sector He cites lower utilisation of capacity in the powerloom sector as an indicator of poor health of that sector The validity of this observation is questionable. The powerloom sector works on the basis of flexible production This is its main strength Utilisation varies with market situation Cost of temporary idle capacity is very low as no wages are paid or overheads incurred It is this factor which gives them a market advantage This market advantage and lower operating costs make them profitable even at lower annual capacity utilisation Lower utilisation does not mean sickness in this context The growth of this sector has been phenomenal and so consistent (year after year) that it is difficult to argue that these entrepreneurs are a misguided lot not knowing their interest and jumping one after the other on a sinking ship

Tulpule also disputes the relative cost advantage of the powerloom sector by observing that the yarn cost of powerloom is more by 12 per cent We do not know how he has arrived at this figure, but the study of ATIRA which we had cited does refer to this factor which according to them varies between 7 65 to 10 4 per cent (p 104 of the proceedings of the 26th Technological Conference ATIRA February 1985) The conclusion which we had quoted viz the combination of powerloom weaving and power processing will be more cost effective than composite mills to the tune of about 10 per cent even if the excise duties were equalised was reached after taking this into account To quote further from the same study, "powerlooms incur higher (8 10 per cent) yarn costs than composite mills Nevertheless cotton cloth woven on powerlooms is cheaper by 5 10 per cent than the equivalent mill cloth (p 18 of ATIRA study)

Tulpule laments that when cotton prices were falling, mills did not take advantage to increase production and that the benefit of falling cotton prices was not passed on by reduction in cloth prices We have already pointed out the long term trend of fall in cloth production by the organised sector and the reasons thereof (Emergence of a large number of spinning mills and the more cost effective powerloom sector for various reasons cited by us explain this) We need not repeat the argument As regards reduction in cloth prices, we should not lose sight of the incessant rise in other costs like power, fuel, chemicals, dyestuffs stores, spares, etc, as brought out in our Table 10 (p M-151)

Regarding locational cost factors, Tulpule considers it to be misleading His conten

TABLE A AVERAGE CAPACITIES

	Average Sps/Mill	Average Looms/Mill	No of Workers/Mill
Composite mills	44,645	745	3,039
Closed composite mills	38,615	638	2 096
Spinning mills	18,490	—	497
Closed spinning mills	16,666	—	642

Note The figures above are derived from Table 1 of our paper For example, the average number of spindles per composite mill is obtained by dividing the total number of spindles in composite mills by the number of composite mills, i e, 12590000/282 = 44645 and so on

tion is that against these cost advantages one must weigh in the transportation costs of raw cotton and finished goods Let us examine raw material transport This depends on the spatial pattern and quality of cotton crop (In the last few years, Punjab and Haryana have emerged as the largest cotton producing states) There is therefore, no clear cut disadvantage to a particular area For transportation of finished products the market being the whole of India if anything the older surplus producer states will have a higher transportation cost Further what we had mentioned were differences in important cost factors Incidentally we assure Tulpule that the figures of wages mentioned by us are based on actual wages paid during the period April June 1987

Further Tulpule raises the question as to how smaller capacities in the new states can affect these larger capacities in a significant way India is one market With such large cost differences it is inevitable that industry will shift to more profitable location and would decline in high cost centres We were trying to trace the roots of structural relocation which has started happening and warn that the older states can ignore this reality only at their own peril Such locational shifts start slowly and unless they are noted and counteracted with policy prescriptions they become irreversible

Another observation by Tulpule about the data on finances presented in Table 21 is misplaced The observation reads In Table 21 Anubhai presents a picture of the finances of textile mills and the picture is none too rosy But for private sector mills alone the picture is not quite as gloomy for a large part of the gloom is contributed by the public sector mills This data is based on IFC studies made by AIRA over years and are expressed as converted into Rs 000 per equivalent loom This sample was not collected sector wise i e public and private In fact we understand that very few public sector mills participated in the IFC studies during those years and therefore the observation of Tulpule would not stand In any case these are trend data and show orders of magnitude and general direction

Let us also react to a few other observations which relate to facts Discussing modernisation and the dangers of pursuing it with an eye on the export market Tulpule observes import of textile machinery is on OGL and is resulting in a net outgo of over Rs 500 crore per year in the name of modernisation' We are not clear about the source of this information In any case textile machinery import is not on OGL except for very few machines not manufactured within the country and secondly machinery imports are nowhere near the Rs 500 crore mentioned by him In fact they are as under for the latest year for which we have detailed information

IMPORT OF TEXTILE MACHINERIES COMPONENTS AND ACCESSORIES

(Rs crore)

	1984 85	1985 86
Cotton textile sector machinery	10	13
Parts and accessories (presumably by the machinery building industry of India)	8	9
	18	22
Man made fibre and filament industry	52	123
Other textile industry (wool jute etc)	21	19
Total	91	164

Source Director General of Commercial Intelligence and Statistics Government of India

In Tulpule's opinion the view that the industry should be made internationally competitive (as recommended by the Expert Committee in 1985) so as to provide a boost to exports lacks a sense of proportion and is somewhat frivolous He therefore dubs it as fetish for exports He rejects the export potential of Indian industry vis a vis other countries like Pakistan Hong Kong Taiwan and Korea by (i) questioning the export statistics cited by us in Table 24, (ii) raising doubts about export statistics and yarn production statistics of Pakistan as per the ICMF *Handbook of Textile Statistics* (not cited by us), and (iii) feeling apprehensive that our decentralised sector would be starved of yarn if yarn export is allowed without limits

We fail to understand on what basis he finds the data in Table 24 cited by us to be improbable We give a further break-up of the data (relating to India and Pakistan) to clear up his disbelief (Table C) Tulpule then gives a curious twist to the argument by discrediting the data cited by himself and observing how much weight should one give to these figures in diagnosing our problems and prescribing remedies?" Firstly, this is not the data cited by us or relied upon by us Secondly even this data (which are quite authentic) are not properly interpreted by him

The reported production of woven cotton cloth in Pakistan refers to production in the organised mill sector not including the production of the decentralised sector, while exports of cloth includes cloth made both in the mill sector and decentralised sector It appears that in Pakistan the production of cloth in the decentralised sector is about 8 to 10 times that of the organised sector

Further Tulpule questions data about yarn production of Pakistan by stating that India's installed spindleage is over five times that of Pakistan but its yarn production is shown to be only a little over 2 5 times that of Pakistan This can be so because of several factors, such as (1) higher utilisation, (2) coarser count, (3) better productivity, and (4) higher technology (more rotors compared to ring frames The ICMF *Handbook* shows this to be so)

After this shadow boxing with data, Tulpule asks what would have happened if unlimited yarn exports had been permitted and concludes by saying would there have been a better example of making a fetish of exports? Why should we assume that exports of yarn means lower domestic availability? Is production capacity inflexible? Do we not want growth? What constrains it? Had yarn exports been allowed, there would have been higher capacity utilisation, growth in spinning capacity, improvement in quality

TABLE B PROFITABILITY OF COMPOSITE AND SPINNING MILLS

	Composite Mills				Spinning Mills			
	1987 88	1986 87	1985 86	1984 85	1987 88	1986 87	1985 86	1984-85
(1) No of mills	86	91	91	121	122	106	108	131
(2) No of mills with								
(A) Negative return	62	44	44	76	42	41	26	56
Per cent of total mills	72 1	48 3	48 3	62 8	34 4	37 9	24 1	42 8
Average return on employed capital of such mills in per cent	22 9	21 2	14 0	21 2	9 1	8 6	-8 4	-12 9
(B) Positive return	24	47	47	45	80	67	82	75
Per cent of total mills	27 9	51 7	51 7	37 2	65 6	62 1	75 9	57 2
Average return on employed capital of such mills in per cent	6 5	8 9	9 2	7 4	8 9	9 8	9 5	8 2
(3) Per cent of production value —								
(a) Contribution	44 5	45 0	44 7	41 3	38 0	39 5	36 4	33 9
(b) Cash profit before interest	2 1	3 2	3 8	0 7	9 0	8 0	8 5	5 0
(c) Cash profit after interest	9 2	2 2	1 3	-6 8	3 5	2 3	3 2	-0 1
(d) Gross profit	5 3	0 2	1 0	-3 8	3 9	3 6	3 8	-0 3
(e) Net profit before tax	-10 0	3 4	-2 3	-6 8	-1 0	-0 9	-0 3	-3 1
(f) Net profit after tax	10 0	3 5	-2 4	-6 8	-1 3	-1 1	-0 4	-3 2

Notes Employed capital = Total assets − carried forward losses gross profit = profit after depreciation but before interest, and cash profit profit before depreciation

TABLE C (Thousand tons)

Items	India 1982	India 1983	India 1984	Pakistan 1982	Pakistan 1983	Pakistan 1984
Cotton						
Mill consumption	1 60	1408 4	1485	506 3	524 0	501 5
Foreign trade						
Impo Yarn	0 0	0 0	0 0	0 1	0 0	0 0
Fabrics	0 3	0 6	0 6	0 0		
Clothing	0 0	0 0	0 0	0 1	0 0	0 1
Other manufacture	0 2	0 5	0	0 2	0 0	0 0
Total (actual weight)	0 5	1 [illegible]	1	0 4	0 1	0 1
Total (fibre equivalent)	0 5	1 4	1 4	0 4	0 1	0 2
Exports Yarn	6 4	6 8	9 0	137 7	103 3	12 2
Fabric	45 0	52 1	6[illegible] 7	95 2	101 9	100 2
Clothing	43 1	57 3	68 8	21 7	32 9	26 9
Other manufacture	31	26 4	30 3	60 9	53 4	52 6
Total (actual weight)	126 2	142	175 8	315 5	291 5	306 9
Total (fibre equivalent)	148 8	16[illegible] 9	206 6	365 5	338 2	355 3
Balance (fibre equivalent)	148 2	166 5	205 2	365 1	338 1	355 1
Available for home use	1112 5	1241 9	1280 5	141 2	186 0	146 4

Source: World Apparel Fibre Consumption Survey 198[illegible] Food and Agricultural Organisation Rome

and productivity induced by international competition higher exchange earnings and higher employment What is wrong with exports?

We also lay a great deal of stress on making our industry internationally competitive We feel that without a hard headed look at our costs and pressures to be efficient even the cause of our domestic consumers will not be served Too much sheltering has generated a high cost static culture and ill serves our consumers price wise or quality wise One way to change this culture is to generate pressure to be internationally competitive and to adjust our industry and its structure to become efficient and vibrant No exhortations will help How to make the industry internationally competitive? Whether it will be through the latest and most automatic machines or through short run customised labour intensive technology will depend on the relative factor prices labour laws and the relative quality levels acceptable in the international markets No a priori judgments can be made about choice of technology nor can any conclusion be valid for all products and for all times

Tulpule has made a sweeping generalisation that by adopting the latest technology (which itself is questionable and not supported by facts) the industry has made a wrong choice of technology and has as a result become sick We do not find any evidence to support such a conclusion anywhere in his article It requires a much more rigorous and complex analysis to reach such a conclusion taking various factor prices technologies and products into account However if he means that in cases where modernisation is attempted without fully relating it to the kind of products to be manufactured and developing an economic justification for the same it could lead to disastrous result I am in agreement with him

Tulpule imputes a certain desire or motive in our discussion regarding retrenchment of labour in Bombay without bearing the cost of rationalisation We meant this as a statement of fact rather than any desire or preference on our part In fact, we were among the first to advocate a scheme to soften the blow of closure on the workers We would not be presumptuous if we claim that the seed of the Textile Rehabilitation Fund was shown by us alongwith V L Mote in a presentation made by us at the Indian Institute of Management Ahmedabad in 1984

The other issue raised by Tulpule is questioning profit as a yardstick for a socially desirable economic activity Who determines what is socially desirable? Which products of what quality are desirable? Who should produce them? How should it be provided and by what combination of factors? These are the questions which must be answered These are more fundamental questions of political economy and fall beyond the scope of our paper The changes going on in USSR and China and witnessed in many other countries where market forces have been again given freer play point to a set of answers which are different from what Tulpule implies

We could not agree more with Tulpule on the point that there is gross over capacity and that some of this is unviable and that trade unions instead of opposing all closures should work for orderly closures and protection of workers interest as much as possible This is what we have always advocated In fact one of the purposes of writing the article was to make the unions aware of the larger factors leading to restructuring so that they can adjust their policies to optimise long term employment and more orderly movement of labour

Surprisingly despite these different perceptions of data and some economic positions we are happy to note that Tulpule recommends remedies which are very close to ours except for some differences with regard to the importance of exports modernisation and some other policy interventions On fiscal reliefs he goes far beyond duty reduction advocated by us and makes out a case even for a subsidy

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Chief Minister Gujarat State

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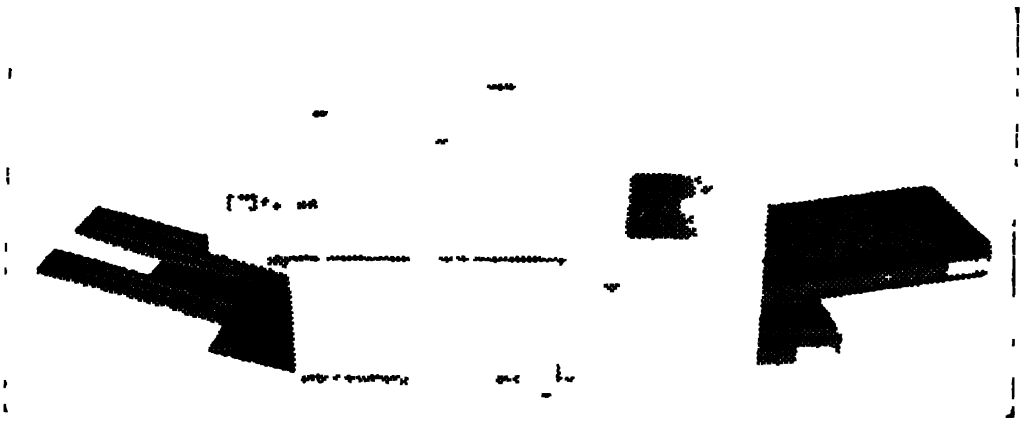

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- **TECHNOLOGY** [illegible]
- **TRACK RECORD** [illegible]
- **MARKET** [illegible]
- **EXPANSION PROGRAMME** [illegible]
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Food Subsidies: Costs and Benefits

The rural and urban poor in Andhra Pradesh have gained some Rs 240 per year per household from the rice rationing policy, but it is a temporary, tenuous gain The subsidy may later be cut as budgetary constraints begin to bite And even if the subsidy and ration are not reduced, the next crisis could come from the physical supply side 1597

Subsidising food is a widely prevalent policy in most developing countries Its form and dimension however varies across countries depending upon the mix of political, social and economic factors Accordingly, the benefits and costs of specific food subsidy programmes policy differ significantly The experience gained from different variants of food subsidy programmes can be of much help to policy makers in developing countries in assessing and modifying their own food subsidy schemes with a view to making them more cost effective A review article 1584

Crisis of Planning

The ever increasing inequality uneven regional growth vast and growing unemployment and large areas of the economy sinking deeper into the quagmire of non-development are all evidence of the deepening crisis of economic planning in India The planning exercises for the Eighth Plan now under way show the same naive unawareness of vital, and long neglected theoretical and empirical aspects of developmental planning 1591

Government and Society

Objective circumstances in a country change much faster than the ability of its system of governance to adapt to them What are the major changes that have taken place in India? What modifications do these call for in the country's system of governance? And what implications do these have for the civil services? 1577

The Jammu and Kashmir Panchayati Raj Bill passed by the state legislature betrays basic lack of trust in the people The process of devolution envisaged under the bill is matched at every level by the extension of bureaucratic authority 1567

Lost Land

In spite of laws prohibiting transfer of land from the tribals to non tribals tribals in Andhra Pradesh have been rapidly losing their lands This process will now be accelerated by the decision of the Andhra Pradesh government, supported by all the political parties in the state assembly to allow free transfer of land by non tribals in the Agency Tracts 1571

Facing the wrath of the naxalites in the rural areas, Telugu Desam Party activists are now urging chief minister Rama Rao to put an end to the killings of suspected naxalites in false 'encounters' and to punish police personnel guilty of committing atrocities on the people 1570

Stockbrokers Opera

Participation by the general investing public in the stock markets has of late declined to modest proportions Instead a relatively small number of stock brokers enjoying the patronage of the financial institutions have been accounting for the bulk of the business transacted in the markets 1558

Green Europe

Europe has a new political colour Green The one clear trend in the June elections to the European Parliament was the growing support for the green parties all over Europe 1575

Out of Step?

Those who have been talking of the crumbling of socialism in China have totally misunderstood the import of recent developments there It is not socialism versus democracy the students in Beijing were demanding greater democracy within socialism 1563

Are the social and political institutions of communist societies falling out of step with the enormous technological changes that have revolutionised production techniques and with the vast advances in the means of mass communication and information networks? 1566

LETTERS TO EDITOR

Exploitation and Efficiency

IN a letter to the editor (May 13) A Mohan Rudra wrote that he had not expected me to read his writings. May I begin by assuring him that I do so carefully and often with envy.

In his letter Rudra claims that Chapter 4 of his book (*Indian Agricultural Economy*, Allied Publishers, 1982) is a critique of MEP and that Rudra did not have an thing of his own to say in that chapter about markets being efficient or otherwise. Further, in the face of my not admitting Rudra the above remark suggests that Rudra does not read Rudra. One does not have to go very deep into the chapter to see, as is evident from its title, Myth of Monsoon Fatalism, Efficiency, that Rudra *does* have something to say about efficiency. He starts by pointing out how bourgeois economists have tried to demonstrate efficiency in the institution of monsoon fatalism. And then he goes on to demolish such myths by systematically establishing various aberrations that occur between credit markets from market failures, rent seeking, the rejection of the competitive rate of interest. All this is done with such harshness that to have him suddenly turn around and claim that he has not done so is not just fallacious but extraordinarily modest.

What I was taking him up on in my *EPW* paper (Special Number, 1988, pp 2309-12) was anyway not the occurrence of efficiency vis-a-vis inefficiency in credit markets but a matter of implication which is widely misunderstood and I was claiming, as I still do, that Rudra also misunderstands it.

On the matter of efficiency my position is very close to that of Rudra. I have not read the paper by Mellor which Rudra attacks but going by Rudra's interpretation of it I have no sympathy for Mellor's case.

The analytical point that I was making in my *EPW* paper is that from the fact that a market is efficient we cannot deduce it to be competitive. In fact (and this is the paradoxic part) the most exploitative markets are also efficient. Thus while traditional monopoly or monopoly is inefficient, extortionate monopoly with interlinkage results in efficient outcomes. This seemingly abstract result has a very important implication. It means that we cannot simultaneously claim that a market exhibits (1) extreme exploitation and (2) inefficiency. Given that many economists in India describe rural markets as characterised by both extreme exploitation and inefficiency, here is a theoretical result which tries to make them reconsider their description.

Regarding the value neutrality of Pareto Optimality, on reflection I feel I was wrong in suggesting that most economists use the expression 'Pareto Optimal' as pure description. I still feel that they ought to for it is pure description. Moreover most careful theorists do use it in a value neutral way. Rudra is right when he writes that Amartya Sen having to lecture to people that a state may be Pareto Optimal but thoroughly undesirable suggests that there are economists who misunderstand the status of Pareto Optimality. But the same example shows that there are economists like Amartya Sen who do not.

KAUSHIK BASU

Delhi

Need Naxalites Not Respect the Civil Liberties of People?

I HAVE come through the article 'Law and Order on Lease' by K Balagopal (June 17) with keen interest. I endorse the spirit of the article. At the same time Balagopal has not been able to hide his pro-extremist bias and his contempt for political parties other than extremists.

As a champion of the civil liberties movement Balagopal is not only expected to be above petty party politics but also appear to be so if his organisation were to have credibility. He writes: 'killing of poor people in the name of curbing extremism has long been legitimised in the state and *even those who are otherwise democratic do not protest much about it*' (emphasis added). He draws attention to how some 180 naxalites have been killed after NTR's assuming power and how very few people have spoken out against this. Why has such a situation come about? Should not responsible leaders like Balagopal ponder over the issue?

Gradually the extremists, especially the People War Group, is exposing itself as nothing but a bunch of anti-socials in the garb of a revolutionary ideology. Otherwise how can one explain their kidnapping people and their resort to blackmailing? For example, one mandal praja parishad president Malharrao, a young TDP man known for his pro-poor attitude, was kidnapped and through this PWG black mailed the government to release two of their arrested comrades. After the stipulated time Malharrao was brutally murdered. What does it show? PWG does not care to respect the right to live of innocent people. Is it not a clear cut case of an attack on civil liberties by the PWG? One cannot go on fighting for the civil liberties of those who do not have even an iota of respect for the civil liberties of others. No doubt the government at times under the pretext of curbing extremists is harassing innocent people. But then the naxalites are doing the same thing. So people are justifiably becoming indifferent to the fake encounters etc.

I don't know how Balagopal can support even indirectly the murder of D Chenchuramaiah, a relative of the chief minister at Karimnagar. Otherwise how can he write: 'The murder has undoubtedly given a *much needed jolt* to the ruling centre' (emphasis added). One cannot have two different sets of civil liberties, one for ordinary people and another for the extremist.

A P VITTAL

Secretary

Andhra Pradesh Civil Liberties Association

Vijayawada

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ECONOMIC AND POLITICAL WEEKLY

Costly Stubbornness

It would be naive to believe that the World Bank's gesture of extending the deadline for expediting the Narmada project rehabilitation schemes will really compel the Indian government to move in that direction. Nor will it make for substantial changes in the policy on the project. For it is not as if the implementation of the rehabilitation schemes has suffered from time constraints. At best the Bank's gesture of first announcing the withholding of the loan instalment and then of magnanimously allowing more time should be read for what it is: a recognition of the growing popular movement against the project.

The fact of the matter is that the almost every aspect of the project has come in for heavy criticism from experts. The cost estimates of the project are now reckoned to have been a gross underestimate, especially given the overrun on time schedules. Moreover, financial allocations other than the World Bank's $ 450 million grant and the promised Japanese grant of $ 150 million have reportedly been hard to come by both in the states and at the centre. The much publicised claim that the project will make water shortages a 'thing of the past' in Gujarat has been shown to be totally false. For instance, 81 per cent of the talukas in Saurashtra and more than half of those in Kutch will not receive any water from the project. Nor will more than 67 per cent of the drought prone and arid regions of the state. As for environmental considerations, it has now come to light that the department of environment had in its first report drawn attention to the astronomical environmental cost of the project and had called for its postponement until more detailed analysis could be conducted. The Sardar Sarovar Project will submerge almost 14,000 hectares of forest land and much of the wild life in it and there are as yet no reliable studies on the impact of the dam on the ecology of the Narmada river.

The issue which has been the central focus of the movement is that of relief and rehabilitation. Almost none of the objectives of the policy laid down by the Narmada Control Authority have been fulfilled. The social and health conditions of the minuscule numbers of Narmada oustees who have been rehabilitated is deteriorating according to several independent surveys. The oustees are as per policy to be relocated in village units. This too has been violated for lack of availability of adequate land in one place. More importantly, the entire rehabilitation policy is based on what appears to be an underestimate of the numbers who will be ousted by the scheme because the government's figures are based on the 1981 Census. Moreover, they have not taken into account those who have already been ousted from dam sites on which construction has already begun. For all these reasons the rehabilitation scheme is unimplementable which, incidentally, is the opinion expressed by the rehabilitation expert and anthropologist for the World Bank.

It is not, therefore, as if the government of India has been unaware of the problems with the project. The project authorities and the governments concerned have dealt with the queries and the demands of the mass movement in what has now come to be the typical manner in which the establishment counters protests of this sort. They have suppressed information, reports of technical and environmental experts and even the proceedings of the Narmada Control Authority, accused mass activists of being in the pay of foreign powers, and brushed aside every criticism and query. In the circumstance seeking to put pressure on the Indian government via the World Bank is only of limited significance in the long run. The government may be forced in this particular instance to make some accommodations to suit the World Bank, but these will remain *ad hoc* and temporary measures which will have little impact on the government's long-term policy on large scale development projects, whether they be multipurpose projects such as this one or nuclear power projects.

While obviously the threat of withholding aid may yield results, the more important line of action lies in persuading the government to create channels through which such projects are subject to the scrutiny of the people who are affected and of independent technical experts. One such would be the instituting of a proper public inquiry, as has often been done in Britain on major projects. There is, of course, the danger that such a forum may get distorted to such an extent as to become a mere gesture—as in fact has happened in case of the first ever public inquiry in India on a technical subject affecting large populations, the Supreme Court directed inquiry on estrogen-progesterone drug. On the other hand, however, the growing movements around these issues everywhere have created a climate for pressing for a properly constituted forum of discussion. One such recent example was the seminar on Kaiga last year organised by the Karnataka government under pressure from anti nuclear activists in the state and elsewhere. Quite obviously such demands can only be made in the context of mass mobilisation and action.

ADULT EDUCATION

Not for Workers

THE ministry of human resources development has suddenly woken up A two day conference of the Central Advisory Board of Education in Delhi recently deliberated among other things on the failure of the adult literacy programme to take off The union minister Shiv Shankar blamed the board which is the top decision making body for education for the tardy progress But neither the minister s harangue nor the discussions at the conference could throw any light on the basic reasons for the failure Following the minister s advice to galvanise the implementation of the programme the usual formula ridden decisions were adopted adding to the list of similar resolutions that have been accumulating for the last four decades

It is indeed strange how in spite of past reviews of the functioning of adult education schemes some of which had pinpointed the basic flaws in the system and had recommended alternative modes of functioning – little has been done so far to correct the system A study group was set up in February 1966 under the auspices of the Department of Adult Education National Council of Educational Research and Training which made several recommendations for polyvalent adult education for workers Some 40 odd Shramik Vidyapeeths are operating in different parts of the country with the objective of providing polyvalent education The main target is the large population of first generation migrants working in different sectors in the urban and industrial areas who form a lower level as compared with the skilled workers in the organised sector These Vidyapeeths are expected to formulate adult education schemes that would integrate general education and awareness with skill training so that their social and vocational needs are inter related

Some years ago an official review of the functioning of these Vidyapeeths was undertaken The review by the Pravag Mehta Committee revealed that the Vidyapeeths had been under official pressure for increasing the number of schemes (obviously to impress ministers constantly demanding target oriented performances oblivious of the quality of the content) as a result of which there had been a steep jump in the number of various schemes in practically all the Vidyapeeths But in the process, the original purpose of polyvalent education had been diluted Instead of catering to the multifarious needs of the deprived neglected, migrant and other categories of organised and unorganised urban workers the schemes had been formulated in such a way as to benefit the middle classes For instance, the Vidyapeeths claimed a rise in the number of women beneficiaries to demonstrate that they were reaching the underprivileged But who were these women? It was found that most of them came from middle class families and were attracted to traditional domestic skills like cutting and sewing, embroidery food preservation which were being taught in the Vidyapeeths Unorganised women workers or women from such families were largely left out of these skill training courses

It was also found out that employers in the organised sector did not release workers for the educational programmes while the unorganised sector workers as well as scheduled caste and scheduled tribe people did not seem to be attracted towards the Vidyapeeth schemes The apathy of the latter is quite understandable The Shramik Vidyapeeth operating in the Rourkela steel plant area for instance, is quite often faced with the question from these people What is the benefit of any education or skill training, if we are not provided with finance or resources for self employment or without an assurance for a job?" If the development agencies and government organisations do not supplement the educational efforts with adequate resources and infrastructure for the Vidyapeeth trained workers, a competitive game of numbers with each Vidyapeeth showing a quantitative increase in schemes leads nowhere

The quantitative fixation of the Vidyapeeths is a direct result of the quantitative orientation of the Directorate of Adult Education and other departments of the ministry of human resources which remain contented as long as the number of programmes and beneficiaries can be shown to have increased from year to year unmindful of the quality of the programmes and the class of the beneficiaries

FOODGRAINS

Not Pure Economics

EVEN though foodgrains production in 1988 89 was a record 170 million tonnes the poor management of the food economy this year is reason for some degree of distress and alarm A reduced proportion of procurement in and following a year of high output is reflective of poor management when viewed against the low level of stock of foodgrains (9 48 million tonnes) as on January 1 this year

The stocks of foodgrains with the central and state governments at the beginning of the year during the last four years were 25 21 million tonnes (1986), 23 63 million tonnes (1987) 14 14 million tonnes (1988) and 9 48 million tonnes (1989) The level as on June 30 this year was 9 4 million tonnes This should be viewed against the March 1984 decision of the government to maintain a buffer stock of 10 million tonnes This buffer stock would be over and above the operational stocks which would range between 6 5 million tonnes on April 1 and 11 4 million tonnes on July 1

The reduced procurement in 1987-88 of 13 42 million tonnes in a year of low foodgrains production (138 41 million tonnes), coupled with a high level of demand led to depletion of stocks which was, to some extent, kept in check by imports. Low procurement this year would create an alarming price situation in the coming months, especially the period October to January The government seems to be buttressing speculative purchases by the private trade which expects rising prices in the coming months But it is an election year and given a situation of poor procurement and low stocks the union food and civil supplies ministry may well decide to import substantial quantities of both wheat and rice

This brings us to allegations of discrimination in the distribution of foodgrains to non Congress governed states As it is the central government has reduced the rice quota of most states after a review of the available stocks in the central pool Recently, Sukh Ram the union minister of state for food and civil supplies, told an all party delegation of West Bengal MLAs that the state government should purchase rice from the open market and then subsidise the cost through the public distribution system (PDS)

This delegation also drew attention to the substandard quality of rice supplied by the Food Corporation for distribution through the PDS Incidentally a recent COPU report (52nd Report *Food Corporation of India Despatches of Substandard Wheat*) flayed the FCI for its wanton disregard of norms of quality control in the despatch of foodgrains stored in its godowns to various destinations

So all these issues are not matters of pure economics but of political economy

LETHAL CHEMICALS

Case for Export Curbs

THE government of India s attitude to the entire issue of the export of dual use chemicals to Iraq from an Indian firm while it follows the same track as the nation's policy on global disarmament, is one of a rather miffed child being reprimanded Its arguments are at best specious The fact that time and again India's stand on disarmament and its abhorrence of these [chemical] weapons" and its "commitment to their elimination" has been reaffirmed in various international fora does not necessarily mean that India has not been guilty of exporting what it calls dual-use chemicals knowing fully well that these could be and are in fact, used for the manufacture of poison gas That it has been doing so for quite some time is quite obvious from the fact that an embassy spokesperson in the US stated in defence of the export that "the problem of precursor chemicals has been brought to our notice very recently there is no well-established international regime to take care of such chemicals"

The fact of the matter is that international controls on chemical weapons are nowhere near as stringent as they ought to be. One reason for this is, of course, the fact that the

issue of chemical weapons and their ban has, in the context of the far more important issue of nuclear arms, been neglected In recent years, however, the issue has come up for more serious discussion most recently at Paris where India is reported to have played a "positive and constructive role" The other reason is that because of the very nature of chemical weapons it is far more difficult to implement stringent control measures for their production or proliferation Thus, for instance, a country which agrees not to acquire or produce chemical weapons or export them could with impunity produce and export intermediates which in any case may be of use in other products The manufacture of chemical weapons does not require sophisticated processes nor intermediates which are exclusive to their manufacture

However, the concern that has been expressed in the west that India may emerge as the "new battleground in efforts to prevent the stockpiling of chemical weapons" in West Asia cannot be shrugged off Since the Bhopal disaster the fact that there are few controls on the manufacture and storage of chemicals has become well known Reportedly chemicals far more hazardous than MIC are being widely manufactured stored and transported with few safety precautions being taken Export rules for chemicals are hardly framed to take into account their hazardous nature or whether they may be used as precursors for chemical weapons

In the circumstances, for India to take affront at the suggestion that the manufacture of some of these chemicals should be banned can hardly be justified While it is true that the precursors are multi-use chemicals which are necessary for the manufacture of a range of products, it is also true that substitutes which may or may not involve a change in the process of manufacture are available for at least some of these. The substitution may no doubt present numerous problems particularly for third world countries which may then have to depend on western industry to 'modernise' Even so to take the view that because of this such a ban would be 'discriminatory' makes India's stand against chemical weapons rather a farce What is urgently needed is a review of the controls on the manufacture and export of hazardous chemicals as a whole so that the 'dual-use' chemicals can at least be properly listed

TELECOMMUNICATIONS

All Round Dependence

THE functioning of the Telecom Commission headed by Sam Pitroda can at best be viewed as a managerial change within the system This might sound a bit pessimistic, for the creation of fresh institutions with considerable executive powers holds out the promise of an overhaul of sub-systems If one were to hold the latter position and believe that individuals can bring about structural changes, then one would expect a transition, over a period of time, from a position of technological dependence to technological self reliance. But such an optimistic view seems unwarranted, indeed, naive For after all even after 40 years our industry still has to seek a foreign collaboration to produce the simplest of terminals, the telephone, as we go from the rotary dial type to the push button one. And even these are being supplied by the collaborators on a SKD/CKD basis which means that the Indian units merely assemble them before supply to the Mahanagar Telephone Nigams The foreign collaborators for these instruments are transnational corporations like Siemens, ITT and Ericsson Their Indian links include some of the leading business houses and state electronic corporations There will be a substantial import content in the instruments till indigenous production of components gets established

Sam Pitroda has recently ruled out foreign collaboration in establishing the second digital electronic switching system factory The first was set up by ITI at Mankapur based on technology imported from CIT Alcatel of France This unit went on stream in 1985-86 but capacity utilisation hovers around break even point with a large component of CKD/SKD imports Pitroda expects C DOT's MAX technology to be commercialised soon which looks like a difficult proposition The uncertainty in commercialisation of this infant' technology would probably mean more imports of digital switching systems, according to some critics But equipment policy is now determined by the Telecom Commission which is headed by Pitroda

The focus of the debate has been on main electronic switching systems but even if one takes telephone instruments, PBXs or cables, the scenario is one of foreign collaborations and imports For instance, Jeumont Schneider (France) and Oki (Japan) and their Indian licencees are said to be making it difficult for C DOT PBXs at the customer end The manufacturers of the C-DOT version are facing stiff competition from the Indian business groups who have tied up with the MNCs

Even though domestic production capacities for the manufacture (assembly) of telecom equipment is being established it is surprising that integrated circuits (ICs), an item that accounts for a significant proportion of equipment costs, is still almost totally imported And this notwithstanding the fact that the public sector firm Semiconductors has been around for quite some time. Then why are almost all ICs still imported?

SOUTH AFRICA

An Ideology in Crisis

WITH the recent changes in its leadership, South Africa's ruling National Party has assumed a new political stance, veering away from its erstwhile obduracy on the apartheid issue to a cautious and, perhaps, deliberately ambiguous position on constitutional reform to accommodate the black majority within the country's political process. There is certainly no reason to believe that substantive changes are on the immediate agenda, given the regime's penchant for duplicity Talk of reform may, therefore be rhetoric more than anything else That however, is not sufficient reason to dismiss it as inconsequential Rhetoric it presumably is, but a certain significance attaches to it, for it is rhetoric of a different order and, more importantly one that emanates from a ruling party that is likely to retain power in the forthcoming September elections

The National Party's long tenure in office, surviving the crises of the 70s and the 80s, has much to do with its political pragmatism that has enabled it chameleon like to change its complexion according to the situation If its current rhetoric is one more instance of its astute reading of the white-dominated electorate then it would reflect divisions among the whites on the issue of apartheid in its current form Indeed, the reaction to the five year action plan for reform suggested by the party s federal congress appears to confirm the fact of such a division The party s two page document, employing the typical circumlocutory idiom of apartheid, speaks of preserving group rights, separate community recreation and white veto Minus the verbal dressing, it simply means the perpetuation of racial division The crucial difference, however, is the call for negotiations with the blacks, though remaining silent about what precisely is to be negotiated While the African National Congress' rejection of the plan was only to be expected and for obvious reasons, its savaging by the liberal Democratic Party and by the right and ultra right parties, like the official opposition, the Conservative Party and the Herstigte Nasionale Party, flow from diametrically opposed motives, the former condemning it for prolonging racial discrimination, while the latter see it as a step towards white surrender

The National Party is quite obviously treading the middle path calling for negotiations with the blacks without conceding any of their preliminary demands while at the same time preserving group rights and white veto, in an attempt to conciliate these two divergent tendencies There are other indications too that the racist ideology has lost its old capacity to unify the whites The attempts of the atavistic Conservative Party-held town councils to reintroduce 'petty apartheid'—entry restriction in municipal properties such as toilets, park benches, cinemas and the like—were severely criticised by whites in such areas, not the least of the reasons being the crippling effects of a black boycott of white commercial establishments While this division among whites is certainly promising, stiff

opposition to reforms is likely from the entrenched and brutal military and bureaucratic quarters which grew in power under Botha and which today plays a leading role in South African politics However with mounting international pressure their capacity to stall reform moves may be substantially vitiated

While the ANC too is beginning to move towards negotiations with the regime, it has rejected the plan since minority veto is a part of the package Negotiations which exclude the ANC will have little legitimacy—a fact that Pretoria is probably aware of Consequently, bringing the ANC to the negotiating table would require a further climb down by the government

BUSINESS

STOCK MARKET

No Decline in Public Participation

SPECTACULAR recovery from the May end lows carrying the BSE and *Financial Express* equity price indices (Bombay and all India) to new all time highs about the beginning of July *Economic Times* indices kept below their previous highs—and a sizeable retreat thereafter would be quite an appropriate description of the stock market's overall performance during the past six weeks or so Between May end and July 4 5 the BSE sensitive index rose by 15 5 per cent and the national index by 11 3 per cent showing a rise of 2 per cent and 0 75 per cent over their respective April highs During the same period the *Financial Express* equity price index for Bombay recorded a rise of 14 2 per cent and the all India index was 12 9 per cent up improving upon their April highs by 1 4 per cent and 2 3 per cent respectively

Consistent buying by financial institutions UTI LIC GIC and mutual funds and investors highly reassuring corporate news government's decision to privatise hitherto completely public domain such as power generation telecom equipment oil drilling road and bridge construction and satisfactory progress of the south west monsoon holding out hope of accelerated economic tempo—all these factors contributed in varying measures to the renewed upsurge in the market

In view of the sharp upswing which took it into new high ground it was natural for the market to take a pause to allow technical forces to have their play The rise was steep enough to lure mutual funds to convert some of their holdings into cash for reinvestment at a more opportune time Institutional selling was a green signal for bear speculators and they were quick to act The decline in prices uncovered many weak bull positions Within just four trading sessions, that is by July 11, the BSE sensitive and national indices retraced 39 2 per cent and 35 2 per cent respectively of the ground gained in the preceding upswing The retracing by the *Financial Express* index for Bombay was 32 9 per cent and that by the all-India index 36 1 per cent How far the reactionary trend might go is anybody's guess In the preceding corrective phase during May the BSE sensitive and national indices had retraced 59 per cent and 49 3 per cent respectively of the rise in the immediately preceding January-April bull phase

Talking to a cross-section of the stock exchange fraternity about the state of the market has been an interesting experience All kinds of views have been expressed It would be of interest to take note of what market men have to say The commonly held view is that all the important moves—up or down—are initiated by the purchases and sales by institutional investors followed up later by professional speculators and the general trading public. Only a relatively small number of stockbrokers enjoy the patronage of financial institutions and these brokers, accounting for a large proportion of the total business transacted in the market, fully exploit their position for personal gains, legitimate as well as illegitimate Participation by the general investing public has of late declined to modest proportions

Mutual funds buy and sell more frequently than UTI to take advantage of the wide swings in equity prices It is said that UTI rarely figures as a major seller and, not unoften, its purchases are carried out at the instance of the union finance ministry—not necessarily to perform rescue operation Occasional intervention by institutional investors is said to have given rise to unpredictable price fluctuations

There is no way of preventing influential and resourceful brokers enjoying institutional patronage from abusing their position The same point can also be made in regard to insider trading Inquiries with informed sources indicate that, contrary to the popular notion, the volume of business put through on the exchange is by no means concentrated in a few hands Top 50 brokers in Bombay are said to account for just a third of the total turnover (inclusive of institutional business) This means that the business is fairly diffused

The view expressed by several market men about the decline in participation by the general investing public cannot bear close scrutiny Apart from the fairly high level of turnover in non- specified scrips, the impressive response to new isssues of equity shares and debentures, especially convertible debentures, is a good measure of growing investor interest in the capital market The equity boom has diverted investors' attention from the secondary market to the primary market where shares are offered at par or at a modest premium and this is certainly a welcome development

A study of the pattern of ownership and the size of holdings of new issues listed on the Bombay stock exchange in May 1989 shows that individuals constitute the backbone of the new issue investment accounting for two-thirds of the total new isssues while the foreign contributions accounted for about 12 per cent and institutional contributions accounted for the rest Distribution-wise, the proportion of holdings in the range of Rs zero to 10,000 was 99 4 per cent in numbers accounting for 32 1 per cent in the amount of new issues The holdings of above Rs 1 lakh accounting for less than 1 per cent in numbers were responsible for 65 2 per cent in terms of the amount of new issues This contribution came mainly from institutions and promoters

The growing presence of institutional investors in the market—secondary as well as primary—has no doubt emerged as an important factor to reckon with in assessing the outlook for equities But there is no getting away from the fact that despite occasional speculative excesses and grave errors of optimism and pessimism, there is a distinctly discernible rhythm in market movements Short-term fluctuations have little to do with the fundamental factors and these are influenced essentially by the mercurial trading sentiment and technical considerations

The decline in equity price indices during June-July, mid-November to early January and more recently in May represents healthy technical corrections in the primary upward trend which has been in evidence since the end of March 1988 The point has been made by some technical analysts that unlike in the earlier corrective phases when the market subsequently pushed its way into new high ground leaving the previous peak way behind, the market this time has staged a quick retreat after registering only marginal improvement over its April high This is being interpreted to indicate that the bull market has lost its momentum

While the journey at the high altitudes

in an hitherto unexplored territory can prove to be quite tough, it would be rash to jump to the conclusion that the bull market has run its full course when all the economic and market fundamentals are still very favourable Only the other day the UTI chief Pherwani listed as many as 21 factors favourable from the viewpoint of the stock market Very broadly these factors could be categorised as falling under improved economic fundamentals government commitment to promote healthy capital market and enhanced confidence in government policies towards liberalisation and deregulation The biggest bull factor is that the UTI has emerged as the largest institutional investor in the capital market and its chairman is highly optimistic about the outlook for equities

With both government and financial institutions facing resources crunch the capital market will be required to play a crucial role in mobilising household savings for financing corporate sector's expanding requirements The growing trend towards financialisation of household savings will facilitate the task of resource mobilisation which in turn will ensure increasing flow of investible funds seeking deployment in the primary as well as secondary market The demand supply equation for good growth equity shares has already undergone a phenomenal change over the past few years Imagine UTI investment in equity shares going up from Rs 370 75 crore in 1985 86 to Rs 2262 60 crore in 1988 89 Add to this investment by mutual funds

SHIPPING

Fleet Growth May Suffer

ACCORDING to the revised projections made by the working group on shipping the shipping sector will require Rs 12 000 crore for acquiring 9 million dead weight tonnage (dwt) during the Eighth Plan period The major portion of these funds will have to be provided in foreign exchange for import of ships

The working group has pointed out that the Seventh Plan will end up with a capacity of 5 8 million tonnes against the target of 7 5 million tonnes The main reason for the shortfall in the Seventh Plan target is the prolonged recession faced by the industry and the consequent paucity of resources There was also a massive scrapping of old ships amounting to two million tonnes The group has estimated that during the Eighth Plan at least 1 5 million dwt will have to be scrapped

It is pointed out that the recommended acquisition of nine million tonnes is essential if hiring of foreign liners on a large-scale is to be checked during the next plan period The user ministries have raised their projections significantly For instance the petroleum ministry has stated that during the plan period much larger quantities of crude will have to be imported The crude imports are expected to increase from the present level of 17 million tonnes to 32 million tonnes by the end of the Eighth Plan The power sector has projected that during the Eighth Plan period, at least 15 million tonnes of coal will have to be imported for the super thermal stations coming up in the southern region Moreover even the coal mined in the Orissa coal belt will have to be moved through the coastal routes since the railways have expressed their inability to carry the same The railway capacity on the southern route is already saturated The commerce ministry has projected a 12 per cent annual growth rate for exports during the plan period This alone will call for larger acquisition to enable the domestic shipping companies to meet their export commitment

Given the country's requirements the working group's recommendation to acquire nine million dwt during the Eighth Plan period is not very ambitious However the tight foreign exchange situation facing the country is likely to hit hard the country's ship acquisition programme This is all the more so because the prices of ships have more than doubled since 1987 and the rupee has depreciated against the US dollar by over 25 per cent In fact the country has lost a good opportunity to augment its fleet when the ship prices had touched rock bottom levels

With a view to conserving foreign exchange the government is taking a fresh look at the formula evolved by the Shipping Credit and Investment Company of India (SCICI) for financing the shipping companies Under the present formula 40 per cent of the total package is provided as foreign currency loan another 40 per cent in the form of rupee loan The balance 20 per cent is to be brought by companies and promoters as minimum contribution The SCICI has cautioned the government that any attempt to limit the flow of foreign exchange to shipping industry would further hit the plan target of acquisition of ships As it is, the target already appears beyond reach because of the increase in the prices of ships

The SCICI has pointed out that investment in ship acquisition generates foreign exchange earnings or saving of foreign exchange outgo without any gestation period The payback period for foreign exchange invested for acquiring of ships is very short, ranging from two to four years, depending on the class of vessel acquired the price level and the pattern of financing

TWENTY YEARS AGO

EPW, Special Number July 1969

The budget has so far been practically the only financial instrument of planning Budgetary appropriations have been almost the sole constituent of what have gone by the name of annual plans Nationalisation of major private banks invests government with another potent and far more positive instrument for mobilisation and reallocation of resources Take the baffling problems of concentration of economic power and development of backward regions within states About 600 and odd credit accounts at present receive approximately two thirds of total bank credit Without in any manner starving these accounts of genuine requirements of working as well as growth capital their actual requirements can be scrutinised more closely to prevent them from pre empting credit from others is also to relate their credit requirements to their ability to raise larger internal resources It might even be possible to impose stiffer margins against their advances to regulate their inventories and to prevent the more speculative among them from such activities as cornering of other companies' shares with their or banks money The development of backward regions brooks no delay The nationalised banking structure cannot draw up the physical plans for this purpose it can only assess their economic feasibility advise on the scheduling of programmes and provide part of the funds required This is not a matter concerning industry -or agriculture and small industry - alone It requires the taking of a total view of the local situation and potential inclusive of trade transport and education It is no doubt tempting to make sectoral allocations the corner stone of credit planning at the national level so much for agriculture large industry small industry irrigation power and so on While aggregations of this sort are necessary for the plan arithmetic and for reconciliation of conflicting claims on available resources playing about with aggregates alone would invite repetition of the mishaps that have bedevilled planning in the past There must first be a stock of projects with established feasibility their priorities *inter se* must be clearly stated and articulated in terms of their inter dependence at various levels of achievement Their credit requirements can then be added up, chopped and pared into consistency with overall targets Work on credit estimates, therefore, has to start from both ends

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ITC

Better Margins

ITC's trading results for the 9 month period reflect significant improvement in performance in all its businesses Overall turnover has been Rs 355 crore against Rs 371 crore in the preceding 12 months and gross profit is Rs 53 crore against Rs 51 86 crore showing enhancement of profit margins Net profit is Rs 29 20 crore against Rs 24 79 crore Equity dividend has been stepped up 5 points to 40 per cent and is covered 2 20 times by earnings as against 2 14 times previously The board has also recommended issue of bonus shares on a one-for one basis by capitalising a portion of free reserves

The total inflow in foreign exchange of Rs 56 13 crore represents 16 per cent of the company's net sales It covers the company s foreign exchange outflow nearly five times foreign exchange outflows during this period being Rs 11 30 crore After taking into account Rs 66 4 crore generated by serviced hotels in the Welcomgroup chain and Rs 6 70 crore representing company s promotional and marketing efforts to export products of the small scale sector the grand total of foreign exchange generated by the company aggregates Rs 69 47 crore, a growth of 32 per cent over the previous year

Demand for the company's leading brands of cigarettes continued to be strong The company stepped up investment in extensions and in R and D to ensure that the right quality and types of tobacco are grown to sustain the export and domestic requirements An effluent treatment plant was commissioned at Saharanpur factory in UP using water hyacinth as the prime purification agent

In the hotels business Welcomgroup registered a 20 per cent growth in turnover despite increased competition Work is apace at the Welcomgroup Nedous hotel in Srinagar to restore the property to its historical and architectural charm before the scheduled opening in October Construction of the hotel in Jaipur is expected to commence soon Plans have been finalised for the expansion of the Welcomgroup Mughal Sheraton by another 65 rooms and the Welcomgroup Windsor Manor Sheraton by 100 rooms to achieve economies of scale in the fast growing markets of Agra and Bangalore respectively Negotiations are in their final stages to take on lease the Ritz Hotel in Calcutta A memorandum of understanding has been signed with the authorities to open an Indian restaurant in Odessa, USSR

Agri businesses continue to make rapid progress Two major products have been launched, that is, different varieties of oilseeds under the brand name of Adarsh in Andhra Pradesh and Sundrop cooking oils in the cities of Visakhapatnam, Madras, Hyderabad, Bangalore and Calcutta

Sales of packaging products registered an increase of 33 per cent in the turnover of the general trade business The marketing of the bulk liquid packaging system has met with encouraging response from the edible oil, fruit juice/concentrates and lubricating oil markets

The company's export of unmanufactured tobacco at Rs 15 45 crore has shown an improvement over the previous period Export realisations have been keeping pace with inflation The government's decision to offer flue-cured virginia tobacco a cash compensatory support of 5 per cent from November 1988 is a welcome step

Exports of extractions and other agri products have shown promise with a turnover of Rs 4 77 crore in the 9-month period The company achieved strong growth in its software export business with gross billings in hard currencies exceeding Rs 1 crore To expand this business, the company is exploring the feasibility of setting up a software development centre in India with ability to access the customers' computers abroad through data communication links Sustained marketing efforts in the US, Europe and Japan have resulted in export earnings of Rs 9 25 crore from sales of high quality hand-woven carpets and marine products The company exported music records and cassettes to the Soviet Union Orders for export of cigarette filters valued at Rs 3 crore have been received The agency services have enabled exports of Rs 6 70 crore from over 200 small-scale industrial units, resulting in a commission of Rs 37 lakh in foreign exchange

At the behest of the government of Punjab the company was invited to consider the revival of Punjab Anand Batteries (PAB) a sick company The board proposes to make an investment of Rs 119 lakh by subscribing for 11 90 lakh shares of Rs 10 each at par in the capital of PAB under a scheme of rehabilitation approved by the BIFR This investment when made will amount to 50 per cent of the equity capital of PAB

Commenting on the taxation and excise issues, the chairman J N Sapru has reiterated that the company has always been a responsible corporate citizen and has never evaded payment of any taxes

The Week's Companies *(Rs Lakh)*

		ITC		VSI Industries		CIMMCO	
		Latest Year 31 3 89	Last Year 30 6 88	Latest Year 31 3 89	Last Year 30 9 87	Latest Year 31 12 88	Last Year 30 6 87
Paid up Capital		3317	3317	603	603	317	317
Reserves		15947	14482	3033	1200	1364	1401
Borrowings		16996	13515	1687	154[illegible]	1965	2095
of which Term Borrowings		3974	4003	37	75	657	1073
Gross fixed assets		25507	24655	4495	1817	3568	3165
Net fixed assets		17455	16754	2798	843	2318	2324
Investments		1025	4728	933	981	13	13
Current liabilities		13318	12042	1859	1[illegible]6	1281	1457
Current assets		31100	21897	3451	3[illegible]	4977	3961
Stocks		14352	12300	2015	1944	2194	1606
Book debts		3624	3404	619	[illegible]	1257	1264
Net sales		35537	37102	10158	6254	17540	9523
Other income		899	999	318	[illegible]	301	24[illegible]
Raw material costs		16806	15675	5495	34[illegible]1	4627	2364
Wages		3814	5182	1578	842	2702	1561
Interest		1494	2010	347	295	1029	603
Gross profit (+) loss ( )		5300	5186	831	663	335	136
Depreciation provision		579	473	194	140	211	133
Tax Provision		1801	2234	155	243	25	1
Net profit (+) loss( )		2920	2479	482	280	99	2
Investment allowance reserve		–	—			22	1
Transfer to reserves		1593	1318	181	105	30	–
Dividend							
Amount	P	–	—	–	–	—	—
	F	1 27	1161	301	173	47	24
Rate (per cent)	P	—	—	—	–	–	--
	F	40	35	50	29	15	7 50
Cover (times)		2 20	2 14	1 60	1 60	2 11	0 08
Ratios (per cent)							
Gross profit/sales		14 91	13 97	8 18	10 60	1 91	1 43
Net profit/capital employed		15 15	13 93	24 29	15 53	10 29	0 22
Inventories/sales		40 66	33 15	9 18	15 68	12 50	16 86
Wages/sales		10 73	10 96	15 53	13 46	15 40	16 39

* 9 months ** 18 months

The excise issue is still to be resolved and he has assured the shareholders that the company will continue to do all that is possible [illegible] the matter expeditiously and [illegible]

VST INDUSTRIES

Modernisation Project

VST INDUSTRIES has completed on schedule the first phase [illegible] modernisation project [illegible] and [illegible] manufacturing [illegible] involving an estimated capital [illegible] of about Rs 6 crore [illegible] compared [illegible] equipped with [illegible] processing technology. The modernisation of the cigarette making and packing facilities is now [illegible] result of the strengthening [illegible] and investment in production [illegible] the position of the company [illegible] improved as compared [illegible] earlier part of the year when sales volumes were under pressure as a consequence of the excise taxation system based [illegible] introduced from March 19[illegible] Volume trends are now [illegible]

The company has shown a better performance [illegible] the 18 month period ended March 31 [illegible] with sales of Rs 101.58 crore against Rs 6[illegible].54 crore in the preceding 12 months and a gross profit of Rs 8.31 crore against Rs 6.63 crore. It may be noted that the profit figure has been arrived at after providing Rs 2.46 crore paid to the excise authorities as a result of adjudication orders passed in relation to earlier periods. This explains the deterioration of profit margins. Net profit is Rs 4.82 crore against Rs 2.80 crore previously. The directors have recommended a total dividend of 50 per cent as against 29 per cent paid for 1986-87. The enhanced distribution is covered 1.60 times as in the previous year. The directors have also proposed issue of bonus shares in the ratio of three shares for every five shares held.

CIMMCO

Improved Working Results

CIMMCO formerly Central India Machinery Manufacturing Company has shown improved working results for the 18 month period ended March 31 last. It has earned a gross profit of Rs 3.35 crore against Rs 1.36 crore in the preceding 12 months following sales of Rs 175.40 crore against Rs 95.23 crore. These figures show a fair increase in profit margins. Net profit has increased to Rs 99 lakh from a base Rs 2 lakh of last year. The directors have doubled the dividend to 15 per cent which is covered 2.11 times by earnings, last year's distribution was made almost wholly from past earnings.

The textile machinery division's performance has been satisfactory. Apart from manufacturing traditional weaving machinery it manufactures the well known Dornier shuttleless weaving machines. The traditional automatic looms have also been modernised by installing a Rapier system for weft insertion which whilst almost doubling the productivity of the looms also improve the quality of the fabrics considerably. The Dornier shuttleless weaving machine can find a larger market in India but for the government's policy of allowing imports of similar new and even second hand machines.

Performance at the wagon division (and the heavy engineering division) was affected due to a go slow resorted to by workers for a considerable period to press for their demands for increased wages. Matters have since been resolved and production is expected to reach higher levels this year. It is intended to update the manufacturing facilities to achieve these end. The division continues to maintain its lead in special wagons required for specific needs such as for bulk material handling, EPG and for defence. The execution of orders by the heavy engineering division increased in the later part of the year and this trend is expected to be maintained. With the backing of a strong marketing and engineering team new product lines are continuously being added and sizeable orders have been secured in the chemicals and steel plant sectors. The company is awaiting government approval for setting up a joint venture for manufacturing heavy fabricated valves in association with Zimmermann and Jansen of West Germany. The steel foundry and shuttle divisions continued to perform satisfactorily. The forging division discontinued its arrangements for job processing.

Xpro India which had afforded the company a field of diversification into plastics processing greatly improved its overall performance by doubling its annualised turnover. The performance of Cimmco International a recognised trading house and a division of the company has been commendable. Its exports exceeded Rs 50 crore compared to Rs 17 crore in the previous year. Further intensive efforts are continuing by entering new markets and where found feasible, by setting up captive export based manufacturing units. One such unit to manufacture shoe uppers is already being set up at Noida in UP. This will go into production before the end of the current year. The company proposes to participate as a joint venture partner in a project for pineapple processing and export in Vietnam.

IN THE CAPITAL MARKET

BEE Electronic Machines

BEE ELECTRONIC MACHINES manufacturing plain paper copiers under the brand name of BEE CANON is entering the capital market with an issue of 12 lakh equity shares of Rs 10 each at a premium of Rs 10 per share. The company known for its quality products is promoted by K K Bhargava chairman of Video Electronics manufacturing CROWN TV sets. The collaborators CANON of Japan need no introduction they are the world number 1 in cameras and plain paper copiers. BEE Electronics Machines an existing dividend paying company has its plants at Tarapur SEEPZ and Dahanu Road all in Maharashtra. The company has marketing arrangement with Remington Rand India Dynarox Electronics and Chougule Industries. The company exports around 40 per cent of its production. Soon the company will undertake an expansion programme worth Rs 2.4 crore to double its installed capacity from 3,000 copier machines per annum to 6,000 copier machines per annum and to upgrade the technology to impart features like both sides copying double colour facility etc. In the near future it may enter the FAX manufacturing line also. The company has come out with the public issue to finance these projects. The company's share capital is Rs 170 lakh (after accounting for the 12:1 bonus issue prior to this public issue) with a revenue of Rs 300 lakh. The book value and EPS are Rs 27 and Rs 8.5 respectively. The projected turnover for 1989-90 is Rs 30 crore which is likely to ensure an EPS of Rs 6 on the enhanced capital. Comparing these figures with Modi Xerox the giant in this sector BEE Electronics scores a very high rating for its small equity base higher earnings and high book value. However competition is heating up in this sector as seen by the recent advertisement wars between HCL and Modi Xerox. The issue opens on July 24.

Knitting Industry in Tamil Nadu

The article Dynamics of Capitalist Labour Process Knitting Industry in Tamil Nadu (*EPW* June 17) is part of my research work being pursued under the supervision of Professor A M Shah in the Department of Sociology Delhi University Delhi.

—C KRISHNASWAMI

Idle Thoughts on Idle Laws

Arun Ghosh

OVER the years in diverse capacities in the union government I have had occasions to amuse myself by penning lampoons on various facets of administration during long desultory conferences with endless meaningless speeches made by all and sundry. The following piece written in March 1981 is reproduced here in response to many letters I have received on the piece appearing in the Annual Number of the *EPW* on the history of economic thought. My apologies in advance to those who dislike frivolity.

I

The law provides that you may deem
Anything to be what it is not
It is a simple matter it would seem
To sanctify a lot of rot

II

Pity the poor undertaker
In the MRTP Act
It is not a legal unit maker
A fiction of an established fact

III

Yet that's what the law doth say
But the Sachar Committee saveth more
Claims are goods in law you may
Deem shares as goods as a legal lore

IV

But why shouldn't shares be goods forsooth
If claims can be bought and sold?
If bearer bonds be legal tender
And not illegal gains to hold?

V

The law's an ass you think but no
The arms of the law are poised to strike
The poor the weak the unlettered dolt
For whom it has a fierce dislike

VI

The MRTP Act, behold
Contains not wealth nor concentration
Restrictive trade it cannot hold
Except in people's imagination

VII

But how, you ask, yet it is easy
Approval doors have golden keys
There is yet room for the sleazy
The crook, the knave the busy bees

VIII

The lawyers also serve and wait
Until a battered client appears,
It's never too early nor too late
If you have the cash you have no fear

IX

The prize to him who can buy his peace
The prize to him with an open purse
To him who knows the going rate
To him with funds to disburse

X

Long live the sagacious of the law
Long live the Company Law Board
The lawyer can always find a flaw
For those with cash show all aboard!

XI

Long live the legal mind that can
We've a magic spell around the law
MRTP notwithstanding
The consumers in the hoarders' paw

XII

In fact MRTP helps
By holding up all projects schemes
Investors please invest abroad
Inflationists have pleasant dreams

XIII

He liveth best who cheateth best
And he cheateth best who cheateth all
Fork out the cut and be blest
And life for you can be a ball

XIV

But pray dear reader have no fear
Confusion may in the short run spread
But milk and honey for all would flow
In the longer run when we're all dead

* * *

For the more serious minded readers of the *EPW* here are some Idle Musings on Not so Idle Events.

The history of human civilisation has been a tortuous one mankind has never steadily developed linearly or otherwise. In fact the growth of mankind has not followed any pattern many advanced civilisations have been known to perish (and to disappear from the face of the earth) under the assault of barbarians. The Incas the Aztecs the Mayas of Latin America the Sumerians and the Egyptians of the Middle East, the ancient Chinese, the ancient Indians in Mohenjo Daro Harappa Hampi and elsewhere, their civilisations have all vanished, some under attack from more virile barbarians, some from other causes – as, for instance, lack of water owing to shifting river beds—not fully explained by recorded history.

So it is with the world today. On the one side witness the fantastic growth of science and technology such that the progress of humankind (in these directions) during the last fifty years may be said to have surpassed the totality of human progress ever since the dawn of civilisation. On the other hand, witness the development of society of human relations of social political and economic organisation of humankind and more than three quarters of the world may be said even as of now to have barely emerged from the Dark Ages. Some countries which had supposedly thrown off the yoke of past tendance (of one section of the population to another) have apparently developed new forms of social oppression.

The events in China in the recent past have been bewildering to say the least. I am neither a China expert nor a China watcher. But no one can deny the social and economic transformation achieved by China in the forty years since 1949 a transformation of which the Chinese as a people can be proud a transformation which we in India have certainly not been able to achieve. But then we as a people have an infinite capacity to fool ourselves a trait which has direct relevance to the media reaction in India on recent events in China.

Doubtless the recent events in China have been tragic. One does not quite know the origins of the recent troubles. It would appear from a distance that there was too precipitate a move in China towards Gorbachev's *perestroika* without Gorbachev's *glasnost* perhaps a socialist economy with a highly centralised production planning regime require *glasnost*—greater awareness greater political maturity all round before it can successfully tackle the problem of economic restructuring. The incentives system of a capitalist economy cannot be suddenly introduced under socialist production relations without a lot of forethought planning and deliberation in fact without general understanding and consensus on their implications and therefore on the degree and manner of their introduction. This is perhaps one reason for the slow progress of *perestroika* in the USSR.

It is also possible that in China today there are some differences in the perception of the urban and the rural sections of the population in regard to future developments the PLA is known to be rural based whereas the Beijing students in Tiananmen Square represented a growing urban desire for greater socialist democracy which calls for internal political discussion and debate. Anyhow the position in China is not clear nor why the mandarins of the Chinese Communist Party—led by Deng Xiaoping and Li Peng decided on a crackdown on the student demonstrators since there is no evidence that the students agitation in Beijing was of the nature of an 'anti Revolution' movement it was, it seems from a

distance essentially a demand for greater *glasnost* of the Gorbachev variety which is not necessarily antithetical to socialism

Whatever has been happening in China is not easily understood In a way the demand of the students for greater democratization comes at a level of socio economic development where the Chinese people have already pulled themselves up from centuries of darkness and deprivation The Chinese people have in a period of barely forty years put starvation rank inequality and human degradation behind them The formal of the Beijing student for greater democracy is a reflection of their political in this background marks a qualitatively different type of development from the mere grant of political suffrage and voting rights to large chunks of totally deprived people in say India But the demand for democratization in China does *not* I think harbinger the end of socialism in China it only presages a higher finer form of socialism This is where some of the newspaper comments on the significance of the recent events in China appear to be bizarre The 20th century is *not* likely to mark both the beginning and the end of socialism but merely the beginning indeed Marxian thought envisages the withering away of the state which implies essentially the withering away of the state as a repressive agency The demand is not likely to die in Tiananmen Square but to resurface and to win acceptance as time goes on only it will not spell the end of socialism in China

The really tragic part of the story is that in some sense every regime which feels itself beleaguered appears to react violently There is in essence no good reason why a socialist country should be afraid of a popular movement This is where the tragedy the problem of vested interests begins to arise One hopes the problem would resolve itself in China soon Anyhow in this sense the developments in China the repression that has occurred is a backward step for the history of socialism generally and for China in particular

But then those of us in India who have been talking of the crumbling of socialism in China appear to have totally misunderstood the import of the recent developments in China It is not socialism versus democracy the students in Beijing have been demanding greater democracy within socialism Anyhow how much of real democracy have we got in India? Are we all clear as to what democracy means? That it means much more than mere adult political suffrage? Do we have to go back to textbooks on political science to inform our respected media men that India is not really a democracy in substance, but only in mere form? I hardly need elaborate on this point

But let that pass I am today not discussing the problem the problems of India that is *Bharat* My concern today is with the tragic events of the last few days in China

It is possible that the recent events in China are likely to make the task of Comrade Gorbachev more difficult the example of too rapid a move for *perestroika* in a neighbouring socialist country is there for all to see Add to that the reported victory of Solidarity (over the Party candidates) in the recent Polish elections and with Solidarity's almost open allegiance to the Pope one does not quite know how precisely the Eastern European countries would start reshaping their production relations production priorities and social relations However looking at the problem somewhat diabolically to the extent that recent events may weaken China Comrade Gorbachev may cheerfully cut down on the USSR defence expenditure certainly Vietnam may have lesser danger from Chinese support of the Khmer Rouge in Cambodia and China may be more willing to accept at face value Gorbachev's offer of a USSR China *detente* on their border and in Mongolia On the other hand in the matter of *perestroika* at home Gorbachev's opponents—in particular Ligachev and his supporters—may well get a shot in the arm from the example of the Chinese experience with restructuring and with the limited introduction of a market oriented system within a socialist economy

Would the recent tragic events presage a change in China's foreign policy? There is a distinct danger of that happening The recent thaw in regard to Tibet may get frozen and the ruling elite in China may even lose interest in pursuing *detente* with India for they have many more pressing problems to worry about

So far the official Indian reaction to recent events in China has been quite correct, we are not concerned with the internal problems of a sovereign nation That approach is but to be expected What however is bothersome is the barely concealed glee in the writings of quite a few leading Indian journalists that another bulwark of socialism is now crumbling First it should be understood that socialism is *not* crumbling in China One does not have to support the action of the PLA (or one division of it for ostensibly another refused to roll down tanks on peaceful demonstrators) But one need not also conclude that the students' agitation in Tiananmen Square was anti socialism for the students were ostensibly agitating for greater internal democracy within the socialist system It is not as if the students have been agitating for a faster switch over to a market oriented production system In fact to the extent that Comrade Deng Xiaoping has been attempting to force on the Chinese economy the introduction of market signals and production oriented to meeting market demand in a socialist economy he is trying to suddenly impose on the Chinese people a South Korean or Singaporean type of dictatorial market system A change of this sort requires a great deal of deliberation and careful planning

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in fact, market signals are to act only as a corrective to faulty planning Otherwise, one would move on to a system akin to market fascism

It is interesting in this connection to note that the capitalist system does *not* have to depend on democracy The most successful capitalistic producers in the world –pace South Korea and Singapore—have not been shining examples of democracy On the other hand, socialism envisages in the final analysis the highest form of democracy

Where does all this lead us in India? One has to remember in this context the basic differences between some of the successful political democracies of the west all developed countries—and the over populated poor countries of the south (with a steadily growing population) all of which face unemployment low productivity low output low savings low capital formation and inadequate capital equipment per worker And many of these countries pursuing the capitalist mode of production are supposed to be political democracies But are these countries democracies in the true sense of the word? Does the growth rate the living conditions of the people justify the acceptance of the social political and economic system of these countries? And the success stories among the Newly Industrialising Countries (NICs) of the south viz South Korea Taiwan Singapore et al are they, any of them, really democratic countries? South Korea has been having democratic stirrings lately and its growth rate has fallen sharply as a result

What then is the rationale for our media men hailing the recent events in China as harbingers of the decline of socialism and of the ultimate superiority of the capitalist mode of production? Apart from a few isolated examples has the capitalist mode of production resulted in the greater welfare of all peoples? Was the example of China's socialist development between 1949 and 1989 any the less spectacular and praiseworthy?

Should we not in the event seek to emulate some of the social, political and economic reforms that led to China's spectacular growth between 1949 and 1989? Land reform is one of the basic reforms in that context to which we have paid lip service so far Greater egalitarianism and employment for all is another But these call for political and social changes Are we ready for them? Would we as a people be worse off if we were to vote for such a system?

We do not know what is really going on in China One is certainly saddened by the recent developments there But let us hold our horses before we pass any judgment And who are we to pass judgment anyway? Is our own economy our polity today such that we can be proud of it?

POTOMAC MUSINGS

History Unmade

Deena Khatkhate

With these headlines and datelines galore on mass protests in the communist world, you now see the communists in the capitalist world making a bee-line for exits For them getting on in the world is the political equivalent of getting out of the world they have known before

THE events have been unfolding in communist China with the ferocity of a typhoon Is history being made we may credulously ask No, history is being unmade First a trickle then a flood that swamped the human landscape of China Students leaving their cloistered suffocating campuses mustered in strength in Tiananmen square, but unlike their forebears in the era of red guards, they did not destroy the homes, make a bonfire of books, mutilate the bodies either of their elders or their peers They stirred up the spirits of their countrymen, roused their conscience, impregnated their inner urges with a new message But like the red guards of yore, they shook up the apparatchiks with 'fat bottoms'—that is the only graphic phrase of Mao Zedong that they mouthed approvingly They left poor Marx far behind, even Hegel, but echoed Nietzsche's philosophical dictum that "God is dead, god remains dead, and we have killed him"

Certainly god was alive before—the god that monitored the progress of the fight against oppression in social inequity during the Long March could not have remained dead What is true is that someone killed the god Who could that be? Not the students of today who have heard about the Long March only through their leaders Perhaps none would ever know In the godless world of China the students have coined a new slogan Law and democracy not food and security We neophytes in the art of living and politicking cannot figure out the language much less grasp its hidden message. Communism we thought gives you security and food which the depraved of the world clamour for But who can understand what communism is? It is like mathematics as Bertrand Russell said long ago, 'A subject in which we never know what we are talking about nor whether what we are saying is true" The generation of Chinese students after the marauding red guards of the 1960 invaded their seats of learning may have not have known what mathematics is all about, but they certainly understood its language and mysteries They may have told themselves that they "have been with their people where to its misfortune their people were They braved the army unleashed by Deng and Peng Li and almost co-opted it in their quest for a consciousness of freedom

But who is their hero? Aristotle? Plato? Rousseau? Jefferson? Abraham Lincoln? No It is Mikhail Gorbachev until recently a cog in the mighty Russian apparatus But why Gorbachev who is a toddling babe in this game of democracy? Gorbachev is a member of their family their fraternity and what he says has a certain air of *de ja vu* He is facing the same problems which the students want their leaders to face You liberalised the economy you may have increased output but who is enjoying the fruits of this liberalisation? They are telling the puffed up leaders if leaders they can be called that economic liberalisation without political reforms giving them voice in determining their future is hypocrisy without limitation Gorbachev sensed it by assaulting first the citadel of power He may have figured out that by providing outlets to the inner frustrations of his people bottled-up over the last seventy years he would take the heat off their grievances Consciousness of freedom is for them more precious than consumption of goods The students may have reckoned that if they want to learn they should learn from someone like them facing problems the like of which they face Friends in adversity are true friends The Chinese leaders did not discover this truth perhaps because they could not get over their addiction to the world of Confucius inscrutable enigmatic and devious

And yet the enigma of arrivals and departures of the rebellions across the communist world leave one cold A few years ago it was Yugoslavia and now a long queue—Hungary, Poland China and finally the original crusader Russia What has gone sour? Did they take a detour to the communist millennium by skipping the stage of full blown capitalism? Like a traveller on a train who is overcarried these communist states may be retracting to the stage they skipped The Russia of Lenin was a country of incipient capitalism in the Marxian lexicon, there was no flowering of capitalism which could be a springboard for a leap to communism as a tranquil station in social evolution Chinese society on the eve of the communist revolution was feudal and leaders like Mao were patri familial bossy authoritarian Many of the production relations may have been ill synchronised with the evolving social relationships in new societies It is somewhat curious if not inexplicable that the two countries which so far have been immune to the revolutionary brouhaha are East Germany and Czechoslovakia, both of which had well-advanced capitalist mode of production before turning communist Could it be then that capitalism has remained a forbidden fruit for the generations born in communist societies, so that at the first symptom of

overt opposition the whole superstructure of communism comes crashing down?

Or else could it be that the social and political institutions of communist societies were not in concurrence with the enormous technological innovations that revolutionised the techniques of production information network mass communication negating the impact of the instruments of power wielded by the communist state? If you know what goes on across your frontier you crane your neck to see how you stand in relation to the one beyond. Fred Hirst apparently outwitted the might. Karl Marx Man is much aspires for positional good what he is in relation to other for material goods. It is this informational revolution that probably hastened the demise of a communist state with all its appalling exploitation gospel. And yet Marx lives amidst the ruination of his empire. His vision that the mode of production determines the social and political relations remains valid. Only that the nature of those political and social relations and institutions eluded the lesser leaders of the communist states. In an age when and in a world where the technological frontiers are advancing so much and so fast there ought to be a matching progress in the design and concept of social and political engineering if both production conditions and social relations that surround them have to move in step.

Yes democracy has outsmarted communism as a way of life but not for what Toynbee divined some thirty years ago. In a great divide between the monolithic communist society and the pluralistic democracy Toynbee presaged in terms of his idiom of challenge and response that the communist society would succumb not to the consciousness of freedom or to the insatiability of man's unlimited wants but to the undefined virtues of Christianity. The relationship of the other spiritual forces of our time would be the only effective response to aggression and would be decisive in creating the future of our civilisation. But the challenge that the communist states faced is not a challenge posed by religions so much as by the libertarian instinct of man.

With these headlines and datelines galore on mass protests in the communist world you now see the communists in the capitalist world making a bee line for exits. For them getting on in the world is the political equivalent of getting out of the world they have known before. Here comes a leader of the Italian Communist Party, Achille Occhetto dead set to change the image of a communist in the western eyes. Visiting United States to ingratiate himself with its politicians he has been saying that his party and he are about to banish the word "communist" from their party. He did not mince words. Our party is not a member of a patrician political ideological camp. It is not part of the so called communist camp. On the contrary I maintain that there is no longer a real communist movement and the traditions we represent are our own. We want democracy no longer as a means to achieve socialism but to achieve democracy as a universal end in itself.

In this great metamorphosis of a communist Occhetto is not alone. The fever is catching. And yet what Gorbachev and Zhao and Occhetto are saying through the roar of the Chinese students is not new to many in India. The same clarion call was given by an Indian who was a member of the Second International a comrade of Lenin and first a comrade of Mao and then his adversary Manavendra Roy. At the end of his long journey forlorn and forgotten he lived in lonely splendour ruminating that Man is and should be a measure of everything.

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J and K Panchayati Raj Bill
A Critique

Balraj Puri

The Jammu and Kashmir Panchayati Raj Bill passed by the state legislature not only falls considerably short of the measure of devolution that is proposed under the 64th Amendment of the Constitution for the rest of the country the process of devolution is matched by extension of bureaucratic authority at every level Lack of trust in the people is the only plausible explanation for the type of law the state has passed

THE Jammu and Kashmir Panchayati Raj Bill was passed by both houses of the state legislature barely a month and a half before the prime minister of India introduced the Constitution (64th Amendment) Bill in parliament on May 15 on the same subject The latter bill authorises the state legislatures to enact laws about panchayati raj institutions while prescribing constitutional sanctions to their powers and functions Even after the passage of the central bill the states need to pass their own laws As on account of Article 370 of the Constitution the central bill does not apply to the state of Jammu and Kashmir it had an advantage to pass its own law without having to conform to the new constitutional provisions on panchayati raj

Moreover the peculiar multi ethnic multi linguistic and multi religious character of the state necessitated variation from the uniform panchayati raj pattern being proposed for the rest of the country The thrust of the case for panchayati raj elsewhere for instance is on devolution of power and providing a sense of participation to the people in Jammu and Kashmir state it has all along also been conceived as an instrument of accommodating its wider diversities

How far does the law of the state meet its peculiar needs and how does it compare with the proposed national pattern in its devolutionary content?

The Background

References to the panchayati raj system are found in the policy statements of the political parties and leaders of the freedom movement in Jammu as well as Kashmir It for instance finds a prominent mention in the *New Kashmir* the political manifesto adopted in 1944 by the National Conference which spearheaded the freedom movement in the Kashmir Valley Article 45 of the document defines people's panchayat as organs of the state power in districts tehsils and villages Its activities cover 'maintenance of state order observance of laws and the protection of the life of citizens local economic and cultural development and civil defence

As the National Conference was essentially a movement of regional nationalism of Kashmir valley for which it demanded the right of self determination separate from the rest of the state its manifesto did not adequately deal with the inter regional problem But after Sheikh Abdullah's return to power in 1975 following his accord with the government of India need was felt to take cognizance of the existing realities and redraft the manifesto accordingly The task was assigned to the present writer whose draft was unanimously adopted by the National Conference in 1976 It declared In order to respect regional peculiarities and accommodate their respective needs and sentiments the party proposes to reorganise the internal constitutional set up of the state which would provide regional autonomy and further decentralise political power through appropriate institutional arrangements at the district block and village levels

It is obvious that this concept of decentralisation was directly related to its integrating role and covered all levels from region to village For devolution of power at various levels alone could give assurance and sense of belonging to various ethnic and religious communities in a state which has a unique chain of wheels within wheels i e a Muslim majority state within a Hindu majority country a Hindu majority region within a Muslim majority state Muslim majority districts within Hindu majority region Hindu majority blocks within Muslim majority districts and Muslim majority villages within Hindu majority blocks

In recognition of these realities the J and K State Peoples Convention convened and presided over by Sheikh Abdullah and attended by almost the entire political spectrum of the Kashmir Valley unanimously adopted on October 8, 1969 a five tier constitutional set up for the state which aimed at 'widest possible decentralisation of power of regional, district block and panchayat levels, without jeopardising the integrity of the state

On the eve of his return to power, Abdullah sought the co operation of the representatives of Jammu and Ladakh at a convention in Srinagar in August 1974 on the basis of the decentralised polity adopted at the Peoples Convention When he became chief minister of the state in February 1975 he repeatedly declared his intention to appoint a commission of experts to work out details of the five tier constitution Somehow, he never implemented his declarations

One of the first announcements of his son Farooq Abdullah after resumption of power in November 1986 was to appoint a five member commission headed by the present writer to implement the assurance of his father The terms of reference of the proposed commission as conveyed to me as its chairman designate, were as follows

> With a view to strengthening the unity of the state and its social basis improving inter regional relations ensuring sense of participating and equitable share in power and development to all sections of the people the commission is required to make recommendations for
>
> (1) appropriate measure of regional autonomy and further devolution of power to lowest unit of administration and
>
> (2) any other measures to remove tensions and irritations between the regions

While Farooq Abdullah too eventually wriggled out of his commitment to appoint the commission it is clear that the entire debate on decentralisation of power in Jammu and Kashmir state kept its integrating role in focus and gave equal importance to all the four tiers within the state The focus of the debate on panchayati raj in the rest of the country has mainly been on its democratising role but there too it has been regarded as a federal continuum i e part of the process of transfer of power from centre to states and lower tiers

Threat to Regional Identity

The terms used since the Balwantrai Committee recommended it in 1959 signify much more than the system of village panchayats which was traditionally in vogue in India It is a logical extension of the federal system of the centre state relations under the Constitution to units within the state Judged by this criterion, the J and K Panchayati Raj Act of 1989 does not satisfy the spirit of panchayati

raj For contrary to all declarations of Sheikh Abdullah his son Farooq Abdullah and their party National Conference the regional tier is conspicuous by its absence in the new law

Just as leaders of many states have expressed apprehensions that the central law on panchayati raj might erode the identity of the state and thus undermine the principle of federalism similarly people in the regions particularly in Jammu and Ladakh can genuinely fear that the panchayati raj law of the state might undermine their regional identity and thus lead to centralisation of power As in a state like Jammu and Kashmir regional identities are the main cementing force amongst various communities their erosion would automatically force communal alignments on the people and weaken the secular basis of the state

The J and K panchayati raj enactment thus does not serve the interest of integration as the concept was supposed to do As far as its devolutionary role is concerned it would also be found wanting as compared to the pattern of panchayati raj envisaged in the Constitution (64th Amendment) Bill

In giving prominence to the district the state law would seem to conform to the proposed national law In fact constitution of the statutory district planning and development board as a part of the panchayati raj is a new innovation in the state For though the district boards do exist in the state they have no statutory authority The previous law Village Panchayat Act of 1958 (which was last amended in 1973) merely provided for two tiers i e village and block However while the Constitution (64th Amendment) Bill in parliament provides for direct elections to panchayati institutions at all levels not a single member of the district board under the state law shall be directly elected Its chairman shall be nominated by the government Other members include chairmen of the block development councils town area committees and municipal council in the district and MLAs and MPs would be ex officio members of the district board Though they are elected it is well known that voters often choose different parties at local state and national levels as the issues are different at these levels Members of the assembly and parliament in their capacity as members of the district boards cannot therefore be said to represent the wishes of the people In many states where MLAs and MPs are members of the district boards they have no voting rights But under the J and K law they shall have these rights also

Executive Authority with Officials

Further the executive authority of the district boards in the state law entirely rests with the government officers For according to the law the district development commissioner shall be the chief executive of the district board and shall be assisted by the district level heads of departments in discharge of their functions as such

At the block level also, unlike the central bill the state law does not provide for direct election of any member It shall comprise of sarpanches of halqa panchayats and chairman of the marketing society within the jurisdiction of the block The provision for election of the chairman of the block council by an electoral college of sarpanches and panches of the panchayats in that block was added at the final stage of passage of the bill in the assembly The original draft had provided like the central bill for direct election of the office bearers of the block development council The draft which had provided for a directly elected secretary was further modified in the assembly to make the block development officer ex officio secretary thus bringing the block development council also under the influence of the government The government shall also have power under the law as passed to nominate two members to give representation to women scheduled castes or any other class The central bill provides for 33 per cent reservation for women and according to the population ratio for the scheduled castes but it does not provide for any nomination at any level The state law provides for nomination but not reservation Further the term other class is so vague that it can be used by the state government to nominate any person on the block council to represent it

It is only at the halqa panchayat level where all members shall be directly elected But even at this level a government employee i e the village level worker shall be the member secretary who shall thus ensure government presence at the base of the panchayati raj system Moreover the government shall have the power to nominate two members on the halqa panchayat on the same pattern as it does on the block council There shall be no reservation for women and scheduled castes Their representatives shall be nominated by the state government in as arbitrary a manner as it may like

One more flaw in the state law with regard to the functions of the halqa panchayat is that its members have not been made accountable to the people after they are elected There is no provision for a gram sabha which could act as a sort of assembly for the panchayat and could meet once or twice in a year to pass the budget and to exercise some control on the working of the panchayat including the right to pass a vote of no confidence in it or any of its members and elect new members in their place

In Karnataka for instance, the gram sabha is the lowest tier of the panchayati raj comprising all voters of the zilla parishad in a village It meets at least twice a year to discuss, *inter alia*, implementation of development programmes, proposals for new programmes for development building up of a 'land army, programme of education and such other matters as may be prescribed

The issue of supercession of panchayati raj institutions has been agitating votaries of panchayati raj for a long time One of the major objectives of the 64th Amendment to the Constitution according to the prime minister, is to prevent "sickness of unending suspensions and dissolutions" of panchayati raj institutions The J and K state law empowers the government to supercede panchayats for incompetence or default subject to two conditions (a) a show cause notice shall be served and (b) period of supercession shall not exceed six months

The repeated act of 1958 also provided for show cause notice and a provision that the government may any time within six months establish another panchayat in place of the superceded or the dissolved panchayat But this did not prevent the government from not holding fresh elections to the panchayats till 1989 which were dissolved in 1984

Perhaps the use of the word shall instead of may in the present law might make a difference But unlike the central bill the state law has not made a corresponding amendment in its constitution to make it constitutionally mandatory for fresh elections to the panchayats within six months

Further as provision for supercession of the panchayats by the state governments is analogus to the power of the union government to dismiss the state governments under Article 356 of the Constitution it should have been obligatory on the part of the state government to submit any act of supercession of a panchayat to the state assembly for its approval in the manner in which the union government is required under the Constitution to seek approval of parliament for any action taken by it under Article 356 so that if the power of supercession is misused members of the assembly get an opportunity to expose and criticise it

Financial Provisions

A pre requisite of the success of the panchayati raj system is its financial viability and autonomy The Karnataka law on the subject for instance, allocates Rs 10 per person per year residing in the area of the mandal panchayat Out of this 25 per cent shall be paid by the government to the zilla parishad Another important feature of the Karnataka act is the provision of the finance commission for the zilla parishads to be set up by the government which would ensure objective allocation of resources The 64th Amendment to the Constitution also provides for appointment of a finance commission by the state governments to make recommen

duties, tolls and fees which may be assigned to panchayats, (b) distribution between the state and panchayats of the net proceeds of taxes, duties, etc, and (c) determination of grant in aid to the panchayats by the states In UP panchayats have an assured source of income through the allocation of land revenue to them

The J and K law neither fixes minimum amount of grant in-aid by the state to the panchayats nor provides for any autonomous machinery for objective allocation of funds The panchayats have no assured source of income either The law, therefore does not ensure financial viability and autonomy of the panchayats and leaves enough financial power in the hands of the state government which it could use arbitrarily to influence the working of the panchayats

Panchayati adalat is another important feature of the new panchayati raj law of the state For the modern system of justice is not only very expensive and time consuming but it is also virtually inaccessible to a vast majority of the rural and far off areas Panchayati adalats have been used in many states to supplement the formal judicial system by reviving and legitimising the traditional system of justice

The provision for panchayati adalat in the J and K law should therefore, be welcome One should, in fact, like its scope to be widened to include subjects like untouchability, pollution and other crimes against community interest But it is equally important to protect freedom of conscience and right of dissent of individuals against community prejudices and superstitions

However, by empowering the state government to nominate members of the panchayati adalat and to remove its chairman or any member the new law takes away the independence of the institution of justice at the grassroots level It amounts to supplementing the judicial system and the traditional system of justice, both supposed to be independent of the executive, by a third sector of justice controlled by the state government

There may be cases of misconduct by the chairman or members of the panchayati adalats which may require their removal But the power to take action against them should be entrusted to an appropriate judicial authority so that the panchayati adalats become an informal extension of the judicial system and remain immune from the bureaucratic influences Similarly the authority to appoint members of the panchayati adalat should also not vest with the government Either the halqa panchayats or a judicial body should have the power to do so

The new state law has raised a controversey by depriving displaced persons who migrated from Pakistan in 1947 to Jammu and have since settled there of right to vote in panchayats to which they were entitled under the Act of 1958 The ruling alliance might hope to get some political mileage in Kashmir by their disenfranchisement But as the number of such displaced persons is an insignificant part of the total electorate, their limited participation in self-government at local level in a block or two cannot have any impact on the state politics The state could, therefore afford to take a more humanitarian view of the matter and retain the elementary right of these unfortunate persons

The Jammu and Kashmir Panchayati Raj Act does not accept the jurisdiction of the union Election Commission "for superintendence direction and control of the conduct of elections in the state' nor that of the comptroller and auditor general of India ' for the audit of the accounts of the panchayats" as the 64th Amendment to the Constitution proposes to do for other states of the country

The autonomy of the panchayati raj system in J and K state from the federal institutions like Election Commission and CAG may not be an unmixed gain in view of the not so proud record of either fair elections or of an incorruptible administration of the state Moreover the law of the state not only falls considerably short of the measure of devolution that is proposed under 64th Amendment to the Constitution for the rest of the country the process of devolution is matched by extension of the bureaucratic authority at every level

Whatever be the case of the opposition to a central initiative for panchayati raj legislation the J and K government of which the Congress Party is a coalition partner, has used its independent legislation, to which it is entitled under Article 370 of the Constitution, to circumvent constitutional provisions that would restrict bureaucratic control over the panchayati raj institutions elsewhere

The state is not only independent of the federal institutions like the Election Commission and CAG it has also not made any amendment in its own constitution corresponding to the 64th Amendment in the Indian Constitution Such an amendment would not have compromised autonomy of the state but would have protected the interests of the panchayati institutions against bureaucratic encroachments by, say making re-election of superceded panchayats constitutionally mandatory and reserving a list of subjects in the Constitution for exclusive management by the panchayats

Vicious Circle

Lack of trust in the people seems to be the only plausible explanation for the type of law the state has passed Without trying to read motives into the intentions of the ruling parties, the distrust could possibly be attributed to the fact that the people of a sensitive border state are supposed to be more susceptible to communal and secessionist appeals from across the border Further, it may be argued that recognition of regional identities might threaten the unity of the state

The second argument is, in fact, directed against the identity and autonomy of the states within India and its federal constitution Enough empirical evidence supplements theoretical arguments to conclusively prove that federalism ensures unity better than a unitary system in non homogeneous societies A unitary constitution in a diverse state like Jammu and Kashmir within a federal country is in any case an anomalous situation and a source of most the tensions and problems in one of the most curcial states of the Indian republic

As far as the first argument is concerned distrust of the people and regimentation of the sytem are not the best means to wean them away from communal and secessionist propaganda Distrust, in any case, begets distrust However, while decentralisation is an essential mesure to promote democratisation and integration, it is not a sufficient condition for them

In a system that lacks other democratic pre requsites like democratic temper of the leaders and the people and that lacks other democratic institutions like a balanced and healthy party system, independent judiciary, free press and neutral and competent administration, grievance redressal machinery, fair and free elections and an egalitarian economy, mere decentralisation of institutions sans power would only sharpen instruments of regimentation and tyranny Likewise, a society that is riven with ethnic and communal tensions would hardly be able to get full advantage of the integrating role of decentralisation and federalism and would be tempted to seek stability in further centralisation

Whether lack of decentralisation is the cause of decline of democracy and rise of communal and regional tensions in J and K state or undemocratic trends and tensions are the outcome of a unitary constitution imposed on a vastly heterogeneous state and concentration of power are issues of wider debate But where else could one make a beginning to break the vicious circle where cause is the effect and effect is also the cause, except by innovating institutional reforms and trusting the people by giving them a genuine sense of involvement and participation That would require a conceptually different approach, than that of the present state law on panchayati raj, adoption of a federal constitution for the state, withdrawal of some authority of the state government from institutions of panchayati rai and a measure of self denial on the part of the ruling political leadership

NTR and the Naxalites

M Shatrugna

Now it is Telugu Desam Party activists, vulnerable to the wrath of the naxalite in the rural areas who have been urging Rama Rao to put an end to the killing of suspected naxalites in false encounters and to punish law breaking police personnel guilty of committing atrocities on the people

THE 30 day ceasefire announced by NTR for the naxalites to surrender their arms and take advantage of a government rehabilitation measure skirts the main issue raised by the People's War Group before the killing of the Jadicherla Mandal praja parishad president Malhar Rao on June 10. Malhar Rao was kidnapped by the People's War Group as a reprisal against the arrest of two of their members Gopinemi Harish area commander of north Telengana region and Rayamallu an activist three weeks ago in Hyderabad. The police had not only denied the arrest but as if to prove their bona fides announced a reward of Rs 10,000 to anyone giving the whereabouts of the two missing persons. According to the PWG the two were arrested by the police on May 18 near Navrang cinema in the city with the connivance of an ex naxalite Chatrapati Sivaji acting as informer. Subsequently Sivaji was killed by the PWG. The PWG had given four days time for the police to produce the two activists in public or face reprisals. After the deadline Malhar Rao's dead body was found on the outskirts of his village on June 10.

During the intervening period all the big wigs of the TDP in the district had made unsuccessful attempts to convince NTR of the serious consequences that would follow failure to meet the PWG demand. An adamant NTR not only chided party leaders but also said that the TDP members threat to leave the party would be of no consequence. The TDP activists who had to face the wrath of the naxalites in the rural areas further requested NTR to stop false encounters and punish law breaking police personnel. The government familiar story that the two PWG members had not been arrested (or more likely killed in fake encounters) was not believed by anyone as gruesome fake encounter killing of suspected naxalites have become a common feature in the last four years after the Kondapur incident in Karimnagar in which five naxalites were done to death in fake encounters.

The prevalence of the Disturbed Areas Act in most of the Telengana districts where even a petty police official can arrest and take action against anyone suspected to be 'dangerous' the indiscriminate use of TADA even against innocent persons the witch hunt of dissident intellectuals fostering of false cases and near prohibition of even closed door political meetings where common people participate do not give much credence to the police theory that they had no knowledge of the whereabouts of the two PWG members. When Malhar Rao's killing sent shock waves down the spine of the TDP leaders and cadres a visibly shaken NTR after dilly dallying for four days called a meeting to discuss the challenge posed by the PWG.

The five point strategy set out by NTR after the two day meet comprised (1) avoidance of any police or government action directed at the naxalites for 30 days (2) surrender of arms by naxalites (3) streamlining of the police administration by keeping a tab on police personnel indulging in excesses (4) a rehabilitation programme to draw naxalites into the mainstream and (5) referring of all naxalite cases to courts. To round off the measures NTR announced that a five person committee to be called Zilla Praja Rakshana Sanghams would be established to take note investigate and report on violence committed by the naxalites and the excesses of the police in the districts implicitly admitting that there was indiscipline in the police ranks. While the non official committee is free to take up cases it deems fit the state government could also request the Sanghams to undertake investigation and report to the government for necessary action. The details of the Sanghams functions are yet to be worked out though it appears that they would function somewhat like vigilance committees.

The two day meeting itself was a one sided affair with no representative of the naxalite groups being invited to participate in the discussions. Even the so called representation of the civil rights groups was limited either to non active and infirm leaders or individuals peripherally associated with civil rights organisations. Their inclusion was thus more like a ritual than a sincere effort to involve civil libertarians in the confabulations. Even recognised political parties (both the 'friendly' and the not so friendly ones to TDP) did not seem to have considered the two day meet a serious affair. No senior leader from any of the parties (barring M Omkar of MCPI) bothered to attend the meeting. It appears that the meeting was called more to extricate NTR from the mess he had got into than to deal with the 'naxalite menace'. As if to balance the 'generous' concessions offered by NTR, the government on the same day released the GO relating to the much talked of 'greyhounds', a crack force of the state police. According to the GO, the 'greyhounds' numbering 886 police personnel drawn from the Andhra Pradesh Armed Special Police (APASP) would be posted in the 'naxalite infested' areas to tackle the 'extremist violence'. A sum of Rs 9.5 crore had been released to meet the expenditure of the greyhounds. The crack force consists of one DIG (Head) one SP one additional SP 23 DSPs 23 inspectors 70 SIs 165 head constables and 595 constables. As an incentive for joining the force 25 per cent of salary would be paid extra. Additionally each greyhound would be entitled to Rs 231 per month towards ration and laundry expenses and Rs 2,000 per year as uniform allowance. A non officer killed in action would be entitled to a compensation of Rs 2 lakh. The compensation for an officer is far more attractive Rs 5 lakh. The greyhound squad would have its own administrative set up and support services. The squad would be supplied with seven 5 tonne vehicles 7 mini buses 7 diesel jeeps 7 cars 7 motor cycles and 7 trucks. A specially raised dog squad an exclusive medical staff and a separate communication network would assist the squad.

How effective is the five point NTR strategy to restore peace in the state? Stopping of fake encounters scrapping of the Disturbed Areas Act and TADA allowing mass meetings without official obstruction withdrawal of farcical conspiracy cases respect for civil and democratic rights have been some of the long standing demands of the political activists and democrats in the state. NTR's much tom tommed two day meet failed to discuss let alone accept these demands. Thus the two day meet was bound to be a failure. Exactly the same thing had happened within 12 hours of NTR's cease fire. The PWG in the early hours of June 14 had burnt down the Ditchpalli RDO office in Karimnagar as their demand for the release of Ilaah and Rayamallu had not been met. A few hours later they unsuccessfully mined a road near Byranpalli in Nizamabad district over which a police party had just passed. After an hour long exchange of fire with the police the activists retreated into the nearby forest. They also called for a bandh in the four districts of Karimnagar Nizamabad Warangal and Adilabad on June 15 as a protest against price rise in essential commodities and fake encounters.

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Tribal Land Alienation in Andhra Pradesh

T Prabhakar Reddy

In spite of laws prohibiting the transfer of land from the tribals to non-tribals, tribals in Andhra Pradesh have been rapidly losing their lands Results of a survey of three villages

SCHEDULED TRIBES (STs) now accounting for about 8 per cent of the Indian population are one of the principal categories of the backward classes, or the historically disadvantaged bottom groups of Indian society For protecting and promoting their interests and for bringing them into mainstream society the Directive Principles of the Indian Constitution have laid down thus

> The state shall promote with special care the educational and economic interests of the weaker sections of the people and in particular of the scheduled castes and the Scheduled Tribes and shall protect them from social injustice and all forms of exploitation

In keeping with these directives the Constitution has several provisions such as for the appointment of a minister in charge for tribal welfare (Article 164), for the administration of scheduled and tribal areas (Article 244) for grants from the union government to the states for the welfare of STs and for raising the level of administration of scheduled areas (Article 275) for protection and promotion of the claims of STs to services and posts (Article 335) and for the control of the union government over the administration of scheduled areas and the welfare of STs (Article 339)

Of these the provisions for the prevention of tribal land alienation are by far the most important Their importance should be only too obvious from the fact that land is the only resource of the tribals especially in the tribal scheduled areas Despite the fact that these provisions have been on the statute for about four decades now, tribal land alienation continues unabated

This is true of Andhra Pradesh also where the STs account for about 5 per cent of the total population Here virtually all the STs (85 per cent) depend on land for their livelihood While about 36 per cent of them are engaged as cultivators, about 49 per cent are agricultural labourers [1] The methods of cultivation used by the tribals are mostly primitive (*podu* or shifting cultivation) with the result that the yield is very low While there have been governmental attempts at educating them about the effective use of land through anti *podu* committees and so on these have not brought about any substantial change

Of the ST agricultural labourers about 50 per cent are landless The STs constitute the single largest group among the landless agricultural labourers in the Agency Tracts Under the land reforms schemes surplus lands acquired through the imposition of ceiling on agricultural holdings are expected to be assigned to the landless agricultural labourers While assigning these lands in these areas preference is expected to be given to STs But considerable land has still not been acquired leave alone its redistribution to the landless

Despite the various land reform measures exploitative sharecropping is still the order of the day In the absence of any record of tenancy in most cases sharecroppers have to face a lot of hardship in obtaining institutional credit and in holding on to their land Since the bulk of the sharecroppers belong to the STs in the Agency Tracts their formal recognition official recording and the conferment of legal rights of occupancy and purchase of ownership on easy terms will go a long way towards the socio economic development of this community

It is against the above background that the Andhra Pradesh chief minister N T Rama Rao's retrograde announcement of January 24 1989 repealing Regulation 1 of 1970 has to be received with a lot of alarm This regulation had prohibited transfer of lands in the Agency Tracts to anyone except a tribal On August 13 1979 his predecessor had also deprived the tribals of their rights by passing an executive order for exempting non tribals occupying up to 5 acres of wet land or 10 acres of dry land in the scheduled areas from the purview of Regulation 1 of 1970 The opposition parties in the state were given three options by Rama Rao (1) repealing the law (2) redrawing the list of agency areas eliminating villages where not a single tribal lives, and (3) buying at market rate the land in the hands of non-tribal landlords so that they could go and settle down elsewhere [2] But strangely, those parties, in particular the CPI, CPI(M), Janata, and Congress(I) also betrayed the tribals by supporting the chief minister's decision

The reaction of the Tribal Advisory Council a body headed by the minister for tribal welfare was in the nature of the fence eating the crop It also endorsed the decision unanimously buckling down under political pressures Subsequently, the governor who has otherwise a penchant for picking holes in the actions of the Telugu Desam government has also ratified the repeal regulation

As in the rest of the country there is no dearth of laws against tribal land alienation in Andhra Pradesh These legislations provide for stringent punishment to the defaulters and also for restoration of the alienated lands to the original owners

In fact the earliest law dates to 1839 when the British administration enacted a legislation concerning the separation of agency tracts from the other areas Later, it had passed the law in the form of the Agency Tract Interest and Land Transfer Act in 1917 with a view to protecting the land of tribals and regulating the rates of interest in the Madras Presidency Section 4 of this act laid down

> Notwithstanding any rule of law or enactment to the contrary any transfer of immovable property situated in the Agency Tract by a member of a hill tribe shall be absolutely null and void unless made in favour of another member of a hill tribe or with the previous consent in writing of the agent or any other prescribed officer [3]

In 1935 the government of India passed an act giving more powers to the governor in the governance of scheduled areas In 1959 after the formation of the now unified Andhra Pradesh the state government enacted a comprehensive legislation, the Scheduled Areas Land Transfer Regulation It is more effective in covering the issues regarding any transfer of land in the tribal areas than the act of 1917 It also included provisions such as restoration of property to the transferer and exemption of tribal property from attachment etc But these legislations did not stop the

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NOTICE

It is hereby notified for the information of the public that **RAMGANGA FERTILIZERS LTD** proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under Sub-Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the establishment of new undertaking/unit/division Brief particulars of the proposal are as under

1	Name and Address of the Applicant	**RAMGANGA FERTILIZERS LTD** 2 Western Avenue Maharani Bagh New Delhi 110 065
2	Capital Structure of the applicant organisation	Equity (Rs in lakh) / Preference
	a) Authorised	300 00 / –
	b) Issued and Subscribed	220 50 / –
	c) Paid up	220 34
3	Management structure of the applicant organisation indicating the names of directors including managing director/wholetime director and manager if any	The Company is managed by the Board of Directors consisting of
		Shri U S Bhartia — Chairman
		Shri H S Bhartia — Vice Chairman
		Shri G D Tandon — Director
		Shri Maheshwar Prasad — Director
		Shri Harshvardhan — Director
		Shri A S Bhartia — Director
		Shri Dushyant A Dave — Director
		Shri Naresh Saluja — Director
4	Indicate whether the proposal relates to the establishment of a new undertaking or a new unit division	A Division
5	Location of the new undertaking/unit/division	Garauli Moradabad Distt U P
6	Capital structure of the proposed undertaking	As mentioned in Sr No 2
7	In case the proposal relates to the production storage supply distribution marketing or control of any goods/articles indicate	
	(i) Names of the goods/articles and proposed licensed capacity	Nitrochloro benzenes — 10 000 MTA Concentrated Nitric Acid — 15 000 MTA
	(ii) Estimated annual turnover	Rs 40 5 crores
8	In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc	Not Applicable
9	Cost of project	Rs 12 crores
10	Scheme of Finance indicating the amounts to be raised from each source	Rs Lakhs
	Internal Accruals	80
	Public Issue	320
	Foreign Currency Loan	200
	Loans from Banks other than Financial Institutions	125
	Rupee Loan from Financial Institutions	475
	Total	1200

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days of publication of this notice intimating his views on the proposal and indicating nature of his interest therein

FOR **RAMGANGA FERTILIZERS LTD**

Sd/
(ANAND ARYA)
PRESIDENT

Dated this 15th day of July 1989

TABLE LAND OWNERSHIP OF TRIBAL AND NON-TRIBAL HOUSEHOLDS

(Households in numbers, area in acres, percentage in brackets)

Village and District	Households			Area Owned					
				1978			1988		
	Tribals	Non Tribals	Total	Tribals	Non Tribals	Total	Tribals	Non Tribals	Total
Narnour (Adilabad)	29	9	38	236	27	263	54	209	263
	(76 3)	(23 7)	(100 0)	(89 7)	(10 2)	(100 0)	(20 6)	(79 4)	(100 0)
Boyagutta (Khammam)	26	11	37	131	21	152	65	87	152
	(70 2)	(29 8)	(100 0)	(86 1)	(13 8)	(100 0)	(42 7)	(57 2)	(100 0)
Rovvur (Warangal)	19	7	26	157	32	189	44	145	189
	(73 0)	(26 9)	(100 0)	(83 0)	(16 9)	(100 0)	(23 3)	(76 7)	(100 0)

Source Tabulated from the field data

passing of lands from tribals to the non-tribals Having recognised the activity of grabbing of lands by the non-tribals the officials did not help the tribals in retaining their lands Gradually outsiders who came from other districts captured a substantial amount of the tribal lands and thereby accelerated the process of land alienation

The land transfers from tribals to non tribals is a result of exploitation arising from moneylending operations at an exorbitant rate of interest and from dubious dealings in the course of trade The non tribal moneylenders mostly upper caste people, who have migrated from other districts generally take a written statement while advancing the loan saying that if the borrower fails to repay the loan within the stipulated time he has to dispose of his land to the moneylender only He has no choice of selling the land to others at the prevailing market rate This kind of conditional sale deeds are common in the tribal areas of Andhra Pradesh [4] Inadequate institutional rural credit among the tribal population is one of the important reasons for this state of exploitation Lack of education is another The literacy rate of the tribals in Andhra Pradesh is just 8 per cent as against the state average of 30 per cent

Land alienation in a predominantly agrarian economy characterised by highly skewed distribution of land and adverse land man ratio aggravates the inequalities in terms of income and wealth This is more so in the Agency Tracts where the lands are passing into the hands of large landowners In course of time the process of land alienation has increased and the owners of land (tribals) have become tenants and agricultural labourers In the result, there has been a major change in their occupational distribution with a sharp rise in the number of agricultural labourers Their living itself is a serious problem, devoid of minimum facilities such as food, shelter, clothing, etc The condition of the tribals in the state is pathetic and they are being continuously exploited and neglected by the non-tribals and the government It is disquieting that in spite of the necessary legislative measures taken by the state the dispossession of tribal lands is still taking place

With a view to understanding the nature and magnitude of land alienation a random survey of tribal and non tribal households was conducted in three villages The results are presented below

In Narnour village tribal households accounting for 76 per cent of the sample households had owned as much as 90 per cent of the total land owned in 1978 But their land ownership has declined to 21 per cent in 1988 while the land owned by the non tribals has increased correspondingly (see table) Similarly, in the village of Boyagutta 70 per cent of the tribal households of the sample had owned 86 per cent of the total land in 1978 But it has come down to 43 per cent in 1988 In the village of Rovvur tribal households 73 per cent of the total sample saw their share of land ownership decline from 83 per cent to 23 per cent

The various methods used by non tribals for circumventing the laws for acquiring tribals' lands are as follows (a) 'benami' transfers (b) transfer to non tribals in the form of lease or mortgage (c) transfers in the name of concubines and tribal servants who may work as bonded labourers (d) marital alliance with a tribal lady for the sake of transfer of tribal land in her name, (e) transfer of tribal land in the name of tribals adopted fictitiously, (f) transfer of actual possession of land without any record, in lieu of loan and (g) encroachment of tribal land by force.

Thus there has been a sharp decline in land ownership of tribal households and a corresponding increase in that of non tribal households Most of the tribal households have become landless, and survive only as agricultural labourers and tenants Hence the prevalence of discontent among the tribes The main cause of discontent is land alienation Devoid of land, the only resource with which earlier they earned the little income for their sustenance, political unrest is on the rise in the tribal areas In this context, it would be pertinent to recall the incident of police firing in Indervelli village in Adilabad district on April 20 1981 in which 13 tribals were officially reported to have been killed

The genesis of the problem is the indebtedness of STs which forces them to approach the moneylenders and traders In the process they are exploited by the latter resulting in dispossession of their lands In order to correct this the Andhra Pradesh (Scheduled Areas) Moneylenders Regulation restricts moneylending in scheduled areas and under the Debt Relief regulation all debts of tribals not governed by this Regulation were declared null and void Despite the various provisions of these legislations the tribals could not break out of the clutches of moneylenders

By repealing the Regulation 1 of 1970, land transfers to non tribals will continue in the agency areas and tribals will be alienated further from their land In the result tribals will be deprived of the benefits of protective laws and special schemes for their development

Notes

[I acknowledge with thanks the benefit of useful discussions with P Radhakrishnan]

1 Government of India *Report of the Commissioner for Scheduled Castes and Scheduled Tribes* 1979 80 and 1980 81 (Twenty Seventh Report) pp 323 24

2 R J Rajendra Prasad Tribal Land Lost Chance *The Hindu* February 3 1989

3 N Subba Reddy Depriving Tribals of Land Andhra Move to Amend Land Transfer Laws *Economic and Political Weekly* July 16 1988 p 1458

4 T Prabhakar Reddy *Functioning of the Rural Credit Market in Karimnagar District* unpublished MPhil thesis submitted to the University of Hyderabad 1987 p 73

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IPKF in Sri Lanka: Superpower Compulsions

A Correspondent

India's decision to stay on in Sri Lanka makes eminent sense when viewed in the perspective of the presumed regional role that this country has prescribed for itself

It is no use getting indignant over the refusal of prime minister Rajiv Gandhi to concede to the demand of the Sri Lanka president Premadasa for the withdrawal of the Indian Peace Keeping Force (IPKF) from the island by July 29 the second anniversary of its arrival on the island President Premadasa is too shrewd a politician not to know the Indian prime minister's domestic compulsions as well as the even more pressing compulsions of living up to the image presented in recent highly publicised reports in the western press about India's achievement of the status of a regional superpower

There is no denying the sense of immense gratification in Delhi about these certificates on the growing strength of India Indeed India's intervention in Maldives and Sri Lanka have substantially contributed to this image of a regional superpower to whose benevolent care the stability of the region could be (and according to some ought to be) entrusted though of course there are also some apprehensions about the potential of this benevolent regional superpower which would need some watching Such a combination of admiration and watchful wariness is exactly the kind of image that eminently gratifies the establishment and its apologists in Delhi and other metropolitan areas

So India is now having its own version of the Monroe Doctrine with freedom to intervene in the countries of the region—which with the recent demonstrated success in IRBM technology is not going to be confined only to south Asia Only cantankerous malcontents would point out that none of the stated arguments for not complying with the request of the Sri Lankan president are convincing on the contrary India's decision to stay on makes eminent sense when viewed in the perspective of the presumed regional role that this country has prescribed for itself

The costs of such persistence in the Sri Lanka misadventure are however going to be very high The IPKF was sent to Sri Lanka on the invitation of the Sri Lankan government to assist that government in maintaining and protecting the territorial integrity of Sri Lanka and also to ensure that the Tamil speaking minority in the nrth and the est would enjoy a measure of regional autonomy—something incidentally that the Sri Lankan government too was anxious to grant Having gone there on the request of the Sri Lankan government, one would have thought a request by the same government for withdrawal of these forces should have been enough especially since the stated objectives of the governments of India and Sri Lanka were the same Indeed the request for withdrawal of the IPKF should have been grabbed since it is becoming clear that this country has got into an impossible situation and the rank and file of the IPKF for no fault of theirs have simply been led to slaughter in that uniformly hostile environment

But no it now transpires that the IPKF was sent to Sri Lanka not to safeguard the territorial integrity of Sri Lanka then is now under attack by Tamil chauvinists but in order to protect Tamil lives Going by this logic since people speaking one or other of the Indian languages and ethnically similar to Indians liv in every other part of south Asia (and even farther beyond) would India send troops whenever and wherever any of these communities is perceived by India to be imperilled? If India can send troops to save Tamil lives in Sri Lanka (and decide to stay put even if the group in order to save which India sent its troops are now demanding that India should leave) should it not also send troops to save Bengalis in Bangladesh Nepalis in Nepal or Urdu Punjabi and Sindhi speakers (all Indian languages included in the eighth schedule to the constitution) in Pakistan?

Some even more pressing domestic compulsions appear to have influenced Delhi's decision to stay put in Sri Lanka It is now clear that elections to the Lok Sabha will be held almost certainly on October 31 the anniversary of Indira Gandhi's assassination—a day and an occasion ready made to rouse the worst chauvinistic passions among the people especially the Hindu majority Further the majority which has now been almost wholly appropriated by the communalists in the context of the Ram Janmabhoomi Babri Masjid controversy has to be wooed back to the Congress(I) fold

The memory of India's military triumph under Indira Gandhi against the only country against which winning a war matters to the overwhelming majority of Indians—Pakistan—are now only a historical memory few of the youth so assiduously being wooed by the Congress(I) have any memory of those days whose political mileage was anyway fully secured in 1972

Since then it has been a decline, India has not had any notable military victory or even an opportunity to show its military muscle Siachen has been a stalemate, Maldives was a walkover and the benevolent intervention in Sri Lanka which it was thought would be roses roses all the way has now degenerated into a nightmarish quagmire, with mounting casualties The IPKF is now formally described in Sri Lanka as an occupation army which president Premadasa has threatened to confine to the barracks if it does not leave by July 29

Indeed the initial mistake was in getting involved at all either as publicly stated in order to preserve the territorial integrity of Sri Lanka or as it is now being revealed to protect Tamil lives For both the Sinhalas and the Tamils are under the influence of two of the most chauvinistic outfits and India's own tender concern the Tamils of Sri Lanka are split into factions each more hostile to the majority Sinhala people

Over and above all there is no mistaking the strategic objective of each and every Tamil group in Sri Lanka the destruction of Sri Lanka as a political and geographical entity sustaining different communities united by bonds of history and geography

Straightforward self interest should have persuaded India not to encourage such a band of potential Pol Pots in Sri Lanka bearing different initials and acronyms against their names for the ethnic and linguistic mix in India is far more explosive than in Sri Lanka But then can a regional superpower pass up such temptations to play god in its own backyard?

Everything in Sri Lanka now points to a developing scenario where increased intervention at vastly increased human and material cost is inevitable and is probably also being actively planned To counter the threatened confining of the Indian troops to their barracks after July 29, the union government's alter ego Subrahmaniam Swamy has advised the IPKF administration in the north to unilaterally declare independence on that day There is no reason to think that Varadaraja Perumal will not oblige, just as there is no reason to think that Prabhakaran would not have obliged had be been in the same predicament (and possessing the same tactical advantages) as Varadarajan Thereafter if the 'prime minister of 'Eelam' were to seek Indian assistance to defend the independence' and territorial integrity of 'Eelam', would more troops be sent to form a permanent presence in the north? Can a regional superpower worry overmuch if Sri Lanka were to go to the United Nations, or boycott SAARC meetings? The TV serial on Ramayana has anyway prepared the Indian public for a full-scale invasion of sinful Lanka by the righteous forces of Sri Rama And at a pinch, on the platform of patriotism and great nation chauvinism, most of the opposition parties too may be persuaded to join forces

Green Blue in Europe

Michael Jacobs

The June elections to the European Parliament confirmed that Green politics is now firmly on the European map. We may be witnessing the beginning of a new trend: the replacement of True Blue by a new combination of Green and Red.

EUROPE has a new political colour: Green. In June's elections to the European Parliament one clear trend emerged throughout the continent: support for Green parties is increasing. Raising their vote to between 6 per cent and 15 per cent of the poll, the Greens have upped the number of their so-called Rainbow coalition seats from 20 to 34. With the combined Socialist parties also winning extra seats and the Communists just about holding theirs, the new Parliament has a Left-Green majority, albeit a slender one, for the first time in its history.

The elections confirm that Green politics is now firmly on the European map. Perhaps surprisingly, the oldest established Green party in West Germany made only a modest gain, from 8.2 per cent to 8.4 per cent, winning one extra seat. But in Belgium Green support rose to 14 per cent, in France to 10.8 per cent, resulting in representation (with nine seats) for the first time, and in Italy it trebled to 6.2 per cent, and six seats.

The most remarkable result, however, was in Britain. From being the smallest Green Party in Europe, the British Greens have rocketed to being the largest. Their share of the vote rose from literally nowhere—last time around, in 1984, they did not even stand in the majority of seats—to an astonishing 14.9 per cent. This average hides in fact still more sensational regional results. Across the more prosperous South of England the party won a consistent 19 per cent or more of the vote, and in six constituencies it actually came second. To put this into perspective, just two years ago, in the general election, the Greens scored 0.6 per cent.

Unfortunately for them, however, the British electoral system of first past the post means that the Greens have won no seats in the European Parliament. Labour now has the majority of British MEPs, scoring a morale boosting 40 per cent of the vote and inflicting on Margaret Thatcher her first ever electoral defeat. The increased Labour and Green votes came not just from the Tories but from the centrist Democrats (ex-Liberals and Social Democrats) whose vote collapsed to 6 per cent.

It would be wrong to read *too* much into the increased Green vote. The European Community's constitution gives the Parliament little power: most policies are initiated by the unelected Commission, with decisions being made by national governments in the Council of Ministers. This makes the European elections a perfect opportunity for protest voting. Moreover the turnout is low—an average of 61 per cent (in Britain just 37 per cent), so the poll is not necessarily an indicator of national election opinion.

Nor does the result necessarily demonstrate support for the full range of Green Party policies. In Britain, for example, these include unilateral nuclear disarmament (a policy whose alleged unpopularity is currently leading the Labour Party to abandon it), a basic income scheme guaranteeing all citizens a tax free weekly income from cradle to grave, and the break up of the nation state into a federation of European regions. It is quite likely that many voters were not aware of these policies at all—itself unsurprising given the negligible coverage given to the Greens by the media.

ENVIRONMENT: THE KEY ISSUE

Rather people were voting for the Greens' stand on the environment. This, however, is significant, and it is a portent of a genuine transformation of politics in Europe. The environment is becoming the key issue of the 1990s, and the voters have (typically) recognised it before the politicians.

In the last few years Europe has been hit by a succession of environmental disasters. The nuclear accident at Chernobyl in the Soviet Union in 1985 sent fallout all across the continent; many governments are still compensating farmers whose livestock is too radioactive to be sold. Acid rain has destroyed a third of Germany's ancient Black Forest and huge areas of Scandinavia, and there are now few parts of western Europe unaffected. A huge chemical spillage in the Rhine last year exposed widespread river pollution, while the contamination of the North Sea by industrial waste dumping suddenly came to public attention when thousands of dead seals were washed up on its coasts. The Mediterranean has for a decade been fighting to retain its sea life. The episode last year of the Karin B, a cargo ship carrying Italian toxic waste which was shunted from port to port around Europe being refused entry, epitomised the chaos which now passes for industrial waste disposal. The disgraceful attempts to offload such material on to poor African countries has only been halted by assiduous journalistic expose.

Meanwhile, of course, as everywhere else in the world, European public opinion has been alerted to the risks of the greenhouse effect, the depletion of the ozone layer, the destruction of tropical rainforest and other global issues.

It is not only the elections which indicate the extent of public concern about the environment. Throughout Europe—not just in the west but also in the eastern half of the continent, particularly in Hungary and Poland—membership of environmental pressure groups has soared in recent years. In Britain Friends of the Earth and Greenpeace are experiencing annual growth rates of 20 per cent, while in Denmark there are said to be more members of environmental bodies than there are people, since so many citizens belong to more than one. It is hardly possible to pick up a newspaper or magazine or watch television anywhere in Europe without encountering an environmental topic. The latest phenomenon is Green advertising, in which large multinational corporations take out full page press ads to publicise their concern for the environment. The companies are, of course, usually the worst environmental offenders: oil and chemical firms predominate, with British Nuclear Fuels the latest addition.

Perhaps the most interesting development is the growth of 'Green consumerism'. Supermarkets now vie to stock the most environment-conscious products: not just organic and additive free foods but 'ozone friendly' (CFC free) aerosols, recycled toilet rolls and stationery, biodegradable detergents, non polluting batteries and so on. Germany now has a special Blue Angel symbol for certified ecologically acceptable products, and similar schemes are in preparation elsewhere. In Britain 1988 saw the publication of *The Green Consumer Guide* detailing how the Green minded consumer can use the power of his or her purse to protect the environment (from shampoo to champagne); it went straight to the top of the best seller list.

If astute manufacturers and advertisers are riding the crest of the new wave of Green consciousness, the conventional political parties are paddling along somewhere behind. The Green parties, of course, have been trying the surf for some time. The German Greens were the first to gain parliamentary representation in 1983, and they have since been joined by Green parties in Switzerland, Austria, Sweden, Finland, Luxembourg, Belgium and Italy. Greens have local representation in many other countries as well, including France and Britain.

One of the most important consequences of this is that Greenness has now swept across all the other parties too. Fearing a loss of votes, all shades of the political spectrum have suddenly declared themselves to be Green. On the Left this has been part of a general shift towards the 'social movements' (women's, peace and ecological) of the last decade. The German Social Democrats (SPD) have probably advanced the furthest, incorporating genuinely Green policies on the environment and other issues (such as

the shorter working week and improved women's rights) into their programme. Indeed in two German states the SPD and the Greens have formed coalition governments.

CONSERVATIVE NEW FOUND GREEN ENTHUSIASM

But Green awareness has also penetrated the Right. This was demonstrated most astonishingly by Margaret Thatcher's now celebrated speech to the British Royal Society last September in which she declared that protection of the environment was now the foremost challenge facing the world and committed her government to both national and international action in support of it. The prime minister's statement was the more astonishing because Britain under her leadership had had the worst environmental record of any country in Europe. It was a conversion observed the most remarkable conversion to a cause since Paul hit the road to Damascus.

But however much the Conservatives throughout Europe attempt to sell their new found Green enthusiasm to the public, the advent of the environment as a major issue surely spells an end to the free market politics on which Margaret Thatcher and her allies have stood for the last decade. Put simply, the free market is the *cause* of many of the world's most urgent ecological problems and their solution is only feasible if the imperatives of the market are overridden.

That unfettered market forces cannot guarantee environmental protection is not simply evident from their palpable failure to do so up to now. The very structure of (unregulated) markets in which external costs such as those imposed on the environment are not paid for by either producers or consumers makes ecological degradation inevitable. To take an example much troubling Europe at the moment: it is not car manufacturers nor car drivers who bear the cost of lead and other polluting gases from vehicle emissions: it is the children whose brains are damaged and the future generations who will have to live with the warmer climate and reduced protection against the sun which the emissions (in part) cause. So long as the environment is regarded as the free market regards it: as a free sink into which the economy's wastes can be poured, its survival must be in jeopardy.

Of course, the introduction of regulations protecting the environment by law, such as the new vehicle emission standards agreed by the European Parliament—does not mean the end of capitalism. Profit making companies have long been used to regulation of their activities. But it does mean that governments and corporations will increasingly find themselves on opposite sides. Scientific evidence and public opinion will force governments to impose new controls while companies fiercely resist the inevitable rise in costs (as the motor manufacturers have done for years over exhaust pollution). For Conservative parties such as those in Britain which have prided themselves on freeing industry from bureaucracy and state interference in the market, this conflict will not be easily mediated.

It will not be a question either of the odd new law here or there. The proliferation of ecological problems in the last few years has demonstrated the inalienable truth that all economic activity is founded on environmental wealth. Ultimately all resources come from the environment and all wastes—the end products of the economy—return there. (Indeed, since matter energy cannot be created or destroyed, the two quantities are identical.) If the economy is to be made *sustainable*, we have to make sure that we do not deplete resources faster than we can regenerate them or find new ones, nor emit greater quantities or concentrations of waste than the biosphere can safely absorb. This means that not just a few major polluting or resource using industries but *all* economic activity must be constrained and regulated according to ecological principles.

This message has not yet percolated through to the priests of the free market, but there can be little doubt that it will. Already West Germany and Scandinavia are examining the feasibility of environmental taxation—attempting to internalise external environmental costs by levying taxes on scarce resources. A carbon energy tax, for example, is being proposed as the most effective means of stimulating energy conservation (and power generation from renewable sources) to reduce the greenhouse effect. Several European countries already tax certain forms of waste disposal, and the possibility of wider intervention in the price system to control pollution is under investigation.

NEED FOR ECOLOGICAL PLANNING

What is clear is that, whether the mechanism used to achieve it is regulation or taxation, industrial economies will have increasingly to be *ecologically planned* with targets being set for resource use and waste disposal and firms compelled to stay within environmental limits. This is not exactly the free market ideal which has motivated western economic policy over the last ten years.

Moreover, such planning will have to be done on an international scale, since so many environmental problems are global in extent. This is not so utopian as it might appear: examples such as the 'Club of 30' agreement to reduce acid rain emissions in Europe and the Montreal Protocol limiting worldwide CFC production already exist. It is clear that an international target for greenhouse gas emissions must follow soon.

The growing need for 'ecological planning' therefore poses an enormous challenge to the European Community, as the only genuinely law-making transnational body in the world. Currently the issue dominating the agenda of the twelve member countries is the introduction of the Single Market—the abolition of all frontier controls on trade at the end of 1992. But the vision of a continent wide free market in which huge corporations trade, relocate and employ workers without national restrictions is coming under increasing criticism. Already the socialist president of the European Commission, Jacques Delors, has put forward proposals for a 'Social Charter' guaranteeing minimum rights for workers and social welfare provision across the Community. Now, as the results of the European elections are assimilated, the calls for a similar Environmental Charter will surely grow.

The 1990s are therefore likely to see a different type of politics from the one that has dominated the last decade. As markets are increasingly regulated according to both social and ecological imperatives, the momentum of Thatcherite conservatism may finally have been exhausted. Margaret Thatcher is already isolated as the only European leader who rejects the Social Charter (she has called it Marxist) and who opposes the loss of national sovereignty implied by international legislation on environmental and other issues. Even the Conservative governments of Germany and Holland have recognised that protecting the environment requires new and urgent measures. Indeed the Dutch government has just fallen on this issue, the Christian Democrats' Liberal coalition partners having rejected proposed new taxes to reduce vehicle emissions.

But as the European elections have shown, voters seem increasingly unconvinced by the environmental claims of even the moderate Right. What we may therefore be witnessing is the beginning of a new trend: the replacement of True Blue by a new combination of Green and Red.

Poverty and Survival
Kudumbi Female Domestic Servants and their Households in Alleppey (Kerala)

by
Loes Schenk-Sandbergen
Demy 8vo 1988 108p Rs 100

MANOHAR PUBLICATIONS
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New Delhi 110002

Changeful Society and Changeless Governance

Nirmal Mukarji

With non-Congressism on the rise in the states and the possibility of a non-Congress alternative even at the centre in the air, the civil service will have to learn to be more independent in the political sense The need for such independence will be all the more if democratic self-governance is extended to the sub-state levels

OBJECTIVE circumstances in a country change much faster than the ability of its system of governance to adapt to them What are the major changes that have taken place in India? What modifications do these call for in the country s system of governance? And what implications do these have for the civil service?

I

Foremost among the changes in objective circumstances are demographic changes From about 350 million at independence India's population has gone up to over 800 million and is projected to cross the billion mark at the turn of the century The age pyramid remains as flat as ever which means that in absolute numbers the young comprise much more than half the total population People are moving into the cities in larger numbers owing to a combination of pull and push factors Urban population was about 60 million at independence, rose to 160 million in 1981 and is projected to be 360 million in the year 2001 More than a third of all Indians will be living in cities when that glorious twenty first century dawns as against a sixth when we became independent Economists, planners and the intelligentsia generally view these changes with alarm There is no question that there is genuine cause for concern Much, though not all, of the alarm stems from a view that large numbers of people especially when many of them are young and often aggressively demanding constitute a liability If people were to be thought of as human resource and therefore a potential asset the alarm bells might be less clangorous Liability or asset, the sheer magnitude of the numbers places a question mark on whether a largely static system of governance can cope with the rapidly expanding demographic reality

Next are the changes brought about by political development The central legislature we started with, which also doubled as the Constituent Assembly, was elected in 1946 on restricted franchise The size of the electorate then in the whole of undivided India, excluding the princely states, was 35 million Then came Article 326 which provided for universal adult suffrage perhaps the most impactful clause of the Constitution As a result the electorate for the first general election of 1952 jumped five fold to 173 million The figure became 364 million in the last general election of 1984 With the voting age lowered to 18 it will exceed 450 million for the next general election The change from restricted to universal franchise thus meant moving from elite to mass politics in terms of numbers If the masses had remained politically quiescent this would have made little difference But frequent and regular elections served as schools of political education steadily raising the level of political consciousness The successful overthrow of entrenched regimes in several states and even at the centre had the effect of accelerating the process of politicisation While literacy crawled from 16 7 per cent in 1951 to 36 2 per cent in 1981 political education leapt ahead Given India s powerful oral tradition the written word was not needed for political issues to be discussed at tea shops across the country with earthy wisdom

Changes wrought by economic development are a mixed bag On the one hand the country has become nearly self sufficient in foodgrains The threat of widespread famine has gone and in fact the possibility has opened up for food security measures to be undertaken here and there, like the provision of subsidised rice to the poor in Andhra Pradesh Indian industry now produces a wide range of products Infrastructural areas like power transport and irrigation have registered good progress thanks mainly to the public sector On the other hand, the overall growth rate of the economy until the end of the 1970s averaged a mere 3 7 per cent per annum which having regard to population increase meant only 1 5 per cent per capita In the 1980s, growth is claimed to have gone past this 'Hindu rate', as the late Raj Krishna called it, and touched 5 per cent But much of the increase is accounted for by 'drone' items of the service sector like the bureaucracy and defence. More disturbing is the spread of economic benefits The top 20 per cent take nearly half of the gross national product, against which the bottom 20 per cent are left with only 7 per cent Economic development has created glaring disparity between the rich and the poor The poor are not only those defined as such for official purposes but in fact all those other than the rich, i e, four-fifths of the population i e, 650 million people today

The picture that emerges from these dimensions of change is one of a vast and growing population advancing rapidly in political consciousness but being made increasingly aware that the fruits of economic growth, meagre as they are, are not for them but for a chosen few There are numerous signals that the imbalance between expectations and satisfactions, a familiar enough phenomenon in most societies, is driving individuals and groups outside the system of governance into an extra constitutional polity We need to think whether and how the system can be given more stretch and flexibility to cope with discontent But before coming to that two of the major changes in the political arena need to be noted

The more significant is the decline of the once great Congress Party In a sense the decline started when Congress came into office for power began to corrupt By the time the Nehru era ended the rot had set in creating in its wake room for non-Congressism to arise This was of three types Left fronts self respect movements like the DMK and Lohia inspired opposition unity moves to ensure one to-one electoral contests The result of this emergent non-Congressism was that in the 1967 general election Congress was ousted from power in eight states This became a turning point On the one hand democracy received a shot in the arm because alternatives to Congress were seen to be a possibility On the other, a shocked Congress unleashed a formidable backlash First most of the newly formed non Congress governments were swept aside. Next since the states had proved to be vulnerable for Congress extraordinary measures were adopted to centralise power On the party side there was a split with the faction in power adopting the 'fuhrer' model, doing away with intra party elections On the government side, huge paramilitary forces were created The reach of the Intelligence Bureau was extended right across the country and especially to states which persisted with non Congressism President s rule began to be imposed more frequently Economic management and planning were so conducted as to make states increasingly dependent on the centre Captains of industry czars of science and technology and indeed all those most favoured by the pattern of development went along happily The political and economic 'haves' thus made common cause to make the government of the country more centralised than Nehru or anyone else had ever visualised This was a far cry from the federal democracy the country had opted for

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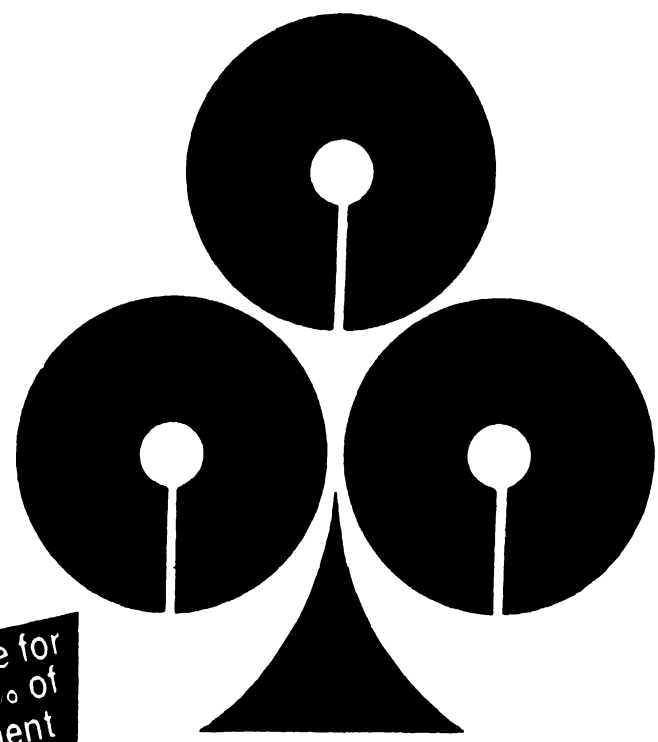

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Correspondingly significant is the rise of countervailing forces If the benefits of economic development went largely to the top 20 per cent the gains of political development quietly accrued to the rest of the people Elite groups corrupted the electoral system to keep themselves in and the masses out However, when centralisation reached its apex in the Emergency the masses voted the offending regime out at the first opportunity They did the same to the successor regime when that failed them Congress wrongly interpreted this as a mandate for renewed centralisation and paid for this by losing state after state in a series of elections Non Congress elements in the states joined hands to demand that the federal structure of the Constitution overshadowed for long by the command system of the Congress be restored and strengthened Federal reform thus came on the national agenda Meanwhile the Left Front in West Bengal innovated a bold programme of land reform coupled with vitalisation of panchayats For the first time since independence the masses in that state felt the glow of freedom through active participation in panchayat self governance What distinguished West Bengal s panchayats from earlier versions was that they were openly political in character Karnataka and Andhra Pradesh which too had non Congress governments also transformed their panchayats into politically elected units of self government The concept of panchayat governments pioneered by these states caught the imagination of the country Decentralisation below the state level through devolution of political power to panchayat governments thus became an important adjunct of the movement for federal reform

II

This analysis of changing circumstances points to the need for federal reform and for decentralisation below the state level Since federal reform in the present context is a euphemism for decentralisation from the centre to the states the single agenda that stands out is decentralisation

The critical element in this is finance because functions accumulate where there is money regardless of constitutional lists Therefore, when thinking of decentralisation, there will have to be a new financial regime as between the centre, the states and sub state levels Obviously the centre must be left with enough for its basic needs At the same time, the states and sub state levels not being in a position to raise on their own the resources for *their* basic needs, must receive assured funds from the centre in sufficient measure and without strings to make purposeful self-government at these levels possible So far Finance Commissions have followed a tax by tax approach A new regime which would ensure finality, avoid recriminations and be simple to operate would be for the Constitution to provide for a fixed percentage out of the centre's aggregate resources to go to the states and out of that a fixed sub-percentage to be passed on to sub-state levels The prime minister was right when he told parliament that untied grants make for local level planning The opposite is also true, namely that tied grants cripple local initiative especially if they squeeze out untied grants, for where there are strings there can only be puppets at the other end Consequently centrally sponsored schemes the latest in an expanding array being the Jawahar Rozgar Yojana are essentially antithetical to the idea of decentralised democracy Constitutionally guaranteed free of strings devolutions to state and sub state levels would lessen the scope for the centre to play centrally sponsored games and correspondingly strengthen democratic governance at these lower levels

An equally critical element is planning So far planning has been thought of as inevitably involving centralisation In a federal polity we need to think of planning as national rather than central and find a way to federalise it The command system by which Congress ruled during the first two decades after independence could not but infect the Planning Commission Instead of adopting the democratic route of seeking consensus on major policy issues it took to imposing its growth models and investment budgets on the states It was able to do so because it secured control over the distribution of plan funds Discretionary plan devolutions have been rising against assured non plan devolutions via Finance Commissions the price ratio between the two being about 40 60 Planning clearly requires a measure of discipline, but in a democratic context this should come more from consent than from financial coercion Over-involvement in preparing investment plans has resulted in the neglect of policy planning. Vital matters like the oppression inflicted on the poor and the decline of mediatory institutions such as the police and the courts are treated by the commission as outside its purview Issues like South Asian regional cooperation or the balance between defence and development are excluded because foreign policy and defence are regarded as holy cows Even in the included area not enough thought goes into problems like mass poverty regional backwardness environmental decay and the criminal neglect of women and children In a new planning regime the Planning Commission would need to pay more attention to major policy questions and allow investment planning to be decentralised within a framework of nationally accepted policies

Thirdly there will have to be a new regime in the districts We simply cannot go on flogging the district officer system any longer Today's district officer has been saddled with far too much to do and as a result is unable to do anything effectively enough Against this the political awakening of the people has led them to expect far more than the system can deliver The answer surely lies in letting the people run their own affairs through elected district governments If such government is now to go the way of panchayat raj institutions (PRIs) they must

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possess characteristics the lack of which led to the failure of those bodies For one these governments must be recognised as political entities with political parties openly contesting elections For another they must look after the totality of district governance with the district bureaucracy coming squarely under them Dividing the task of governance between regulatory and developmental functions is artificial and untenable Further the fate of district governments must not be left to the tender mercies of state governments Elections must statutorily be held at regular intervals under the overall supervision of the Election Commission Supersessions should be barred for there is no justification for giving state governments a handle to remove inconvenient district governments Lastly district governments must be nested in the federal idea forming a third tier of the polity The third tier would subsume self governing units at sub district levels right down to *gram sabhas* The introduction of a third tier must not however squeeze the intermediate second tier or be seen as attempting to do so

Fourthly there will have to be a new regime for urban government having regard to the fact that urban areas will hold a third of the nation in a mere decade or so from now The governance of these areas can be considered at two levels The Asoka Mehta Committee drew attention to the fact that small and medium towns had stagnated for decades while the bigger towns had grown steadily bigger It ascribed the phenomenon to the former not having developed functional linkages with their rural hinterlands However, with increased commercialisation of agriculture an urban rural continuum was growing The committee advocated linking rural areas with urban focal points under the umbrella of PRIs There is good sense in this line of thought Consequently at one level small and medium towns should be integrated with district governments through some form of federal linkage The term medium town would have to be interpreted flexibly to include most district headquarter towns considering that they are very much a part of the urban rural continuum At another level the metropolitan and really big cities will need to be treated differently For they present a major problem of governance not adequately recognised as such till now because of the persisting impression that India is mainly rural The National Commission on Urbanisation classified urban areas into cities and towns the former having population more than one lakh and the latter less Elsewhere it suggested a two tier administration for cities with population over 5 lakhs At yet another place it listed 40 cities which would be more than a million strong in 2001 A practical approach might be to make a beginning with, say, half of these 40 in the matter of installing specialised city governance Possibly, some initial lessons could be learnt from Calcutta and Howrah which have broken out of the pervasive Bombay corporation model and innovated a mayor in council system

New regimes for finance and planning as well as for district and urban governance would constitute a four pillar minimum needs programme to bring about needed changes in the system of governance The four must be viewed as an integrated package Picking out just one of them such as district governance would be like trying to lift a *charpai* by a single leg This in fact is the major defect of the Constitution (64th Amendment) Bill for panchayats A 65th bill for the urban areas would not cure the defect since the first two agenda items i e new regimes for finance and planning involving decentralisation from the centre downwards would remain untouched

III

What implications would such a reform package have for the civil service? For our purpose the civil service means mainly the all India services but also all Class I services of the centre and the states The constituents of the civil service so defined have their differences with each other over career issues but are nevertheless a recognisable category if only because they occupy the commanding heights of the administrative machinery and are for that reason the most influential group within the bureaucracy The attitude of members of the civil service has been conditioned by two factors For one thing they have throughout functioned in a centralised and centralising system of governance

NOTICE

ICI India Limited

(Regd Office 34 Chowringhee Road Calcutta 700 071)

It is hereby notified for the information of the public that ICI India Limited proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under sub section (2) of Section 22 of the Monopolies & Restrictive Trade Practices Act 1969 for approval to the establishment of a new unit Brief particulars of the proposal are as under

1	Name and address of the applicant	ICI India Limited 34 Chowringhee Road Calcutta 700 071	
2	Capital structure of the applicant organisation	As on 31 3 89	Equity Rs '000
		Authorised Capital	41 69 00
		Issued Subscribed and Paid up Capital	40 87 06
3	Management structure of the applicant organisation indicating the names of the Directors including Managing/Whole time Directors and Manager if any	The Company is managed by a Board of Directors with a Managing Director and two Whole time Directors	

NAMES OF DIRECTORS

1 Mr J Sengupta (Chairman)
2 Mr P E G Daubeney (Managing Director)
3 Mr V K Bahree (Whole time Director)
4 Dr J M Charlton (Whole time Director)
5 Mr K D Elmy
6 Mr A Hydari
7 Mr S K Srivastava
8 Mr R K Sinha
9 Mr A M M Arunachalam
10 Dr K U Mada
11 Mr M V S Rama Rao

4	Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division	New Unit
5	Location of the new undertaking/ unit/division	Thane Maharashtra
6	Capital structure of the proposed undertaking	Not applicable
7	In case the proposal relates to the production storage supply distribution marketing or control of any goods/articles indicate	
	i) Names of goods/articles ii) Proposed licensed capacity iii) Estimated annual turnover	Synthetic Resin for Reprographics 250 tonnes per annum Rs 438 lakhs (at full output)
8	In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc	Not applicable
9	Cost of the project	Rs 112 lakhs (estimated)
10	Scheme of finance indicating the amounts to be raised from each source	The proposed investment will be financed by internal generation of funds

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this Notice, intimating his views on the proposal and indicating the nature of his interest therein

For ICI India Limited
Sd/
R N Sarkar
Secretary & Constituted Attorney

Dated this 29th day of June 1989

New Delhi being the prime focus of centralisation but also the state capitals Secondly, they largely come from urban backgrounds and their educational attainments class them as English speaking Somehow the chemistry of this second factor operates to make civil servants generally comfortable with centralism Thus, exceptions apart, district officers are eager to complete their stints in the field and get to the state secretariats Those serving in the states at least a considerable proportion of them want to get to the centre The more enterprising of those who succeed in this immediately begin working to get to what for them is the centre of all centres namely the World Bank or one of the many UN agencies

The thrust of the suggested minimum needs reform is in the opposite direction its essence being downward democratic decentralisation—IDs towards more vernacular governance Therefore, the first implication of the package if it ever comes about would be that the civil service would need to do an about turn in its attitude Would it be able or willing to do so? We can all entertain our respective doubts Bureaucracies do have inertia built into them and are resistant to change But the Indian bureaucracy has shown that it is viscous enough to fit into new political moulds This was proved when power was transferred from British to Indian hands in 1947 though it must be admitted that the newness of the native mould was more on paper than in fact It was also proved in the states whenever power was transferred from Congress to stable non Congress parties But none of these involved structural change for the civil service The crucial obstacle for a change in attitude is in fact the way the civil service is structured the highest jobs being at the centre or in state capitals and the lowest in the districts Successive pay commissions have reinforced this structure rather than change it because preserving relativities has been their guiding principle This writer once met a German civil servant who after having done a term as cabinet secretary to the federal government had chosen to be a city manager of one of the major cities presumably carrying his emoluments with him We need a new kind of pay commission which would free itself from the bind of relativities and allow room for structural changes to take place The civil service must have enough flexibilty to reverse direction and flow more easily into new moulds of people oriented governance

Quantitatively, the civil service and the bureaucracy generally of which it is a part are increasingly viewed as costing the country more than they are worth Decentralised governance could easily result in the creation of more posts But should this necessarily mean expansion of an already oversize and largely parasitic bureaucracy? Should genuine decentralisation not mean visibly slimmer central and state secretariats and departmental headquarters? Much praise has been deservedly showered on West Bengal and Karnataka for their panchayat governments, but Calcutta and Bangalore remain as populated by bureaucrats as before If logic favours smaller bureaucracies at decentralising points, whether at the centre or in the states, could those found surplus to the requirements of New Delhi and the state capitals not be redeployed in the decentralised units of governance?

Qualitatively at each level of what effectively would be a multi tiered federation the civil service would have to subordinate itself to a democratically elected government and yet maintain its independence Subordinating one s self may present some ego problems here and there but is otherwise easier done than maintaining independence It sounds trite but is true that an independent civil service is vital for a healthy democracy especially so in a multi tiered arrangement There is a familiar connotation of independence according to which an independent civil servant is one who is fearless in thought word and deed Independence in this sense goes with integrity for the fearless one cannot afford to have anything to hide Basically independence has to be rooted in values and principles That being so, there has to be a willingness to face consequences such as not getting plums or worse being harassed in sundry ways The ultimate contingency of leaving government employment if necessary has also to be faced with equanimity All of which is not to say that an independent civil servant must wage a running war with elected representatives of the people On the contrary he must learn to work harmoniously with his political masters without fatally compromising his independence Happily there are still many such independent civil servants But the hard fact is that their number is decreasing Corruption and collusion with dark forces are taking their toll If decline is not to turn into decay it is for the civil service as an institution to rise against these forces while there is still time

There is the other connotation of independence A BBC interviewer once put the following question to this writer To what extent has the civil service retained its independence? The reply given was that the independence of the civil service was a concept relevant to democratic systems in which governments came and went but the civil service was expected to serve successor governments as faithfully as it did the predecessors That it was pointed out was the British usage of the word independence In India since there was no democracy during British rule there was no question of the civil service having been independent in this sense Therefore, the issue was not how far the civil service had *retained* its independence since it never had any, but how far it had been able to *become* independent in the new democratic context of free India The difficulty we had had to contend with was that Congress had remained in power at the centre almost all the time since we became a democracy and the civil service thus had not had opportunities to adjust to changes of government

We have far to go in regard to this kind of independence Sadly starting with the Emergency the trend has been in a negative direction The distinction between the government and the ruling party is tending to get blurred at the centre as well as in most of the states The responsibility for this lies primarily with political leaders But the civil service has also been lending a hand Only the other day a noted journalist Tavleen Singh reported her experience at a truly high power dinner organised by the joint secretary external publicity one Attib Seth It was attended by a dazzling array of senior bureaucrats including the cabinet secretary the principal secretary to the prime minister the finance secretary the I and B Secretary and sundry high powered joint secretaries One of the questions that aroused much discussion related to the advent of the political bureaucrat that is one who openly supports the ruling party and not just the government Somehow it seemed to the journalist that the older lot were less susceptible to this tendency

The implication that all were susceptible the younger lot only more so is indeed disturbing

There is a discernible tendency in the civil service to treat the Congress as the natural ruling party The mischief was done during the early decades when the only rule was Congress rule A cosy relationship came into being during this period between Congress rulers and the civil service Congressmen came to think of civil servants as servitors of Congress power and civil servants by and large came to regard Congress rule as naturally ordained Circumstances have changed since then for there is no state where Congress has not been dislodged from power at some time or the other and that applies to the centre too But mindsets tend to ignore facts Consequently Congressmen especially those at the centre continue to find it difficult to accept the idea of an independent civil service Civil servants on their part find it equally difficult to graduate out of their tilt towards Congress It has taken three elections to make the West Bengal civil service begin to accept the inevitability of non Congress rule in that state The leadership of the Janata in Karnataka and the Telugu Desam in Andhra Pradesh were convinced that there were elements in their respective civil services which had Congress proclivities and for that reason could not be trusted New to power political parties are over sensitive about such issues But their suspicions about the civil service in these instances were not entirely without foundation

With non Congressism on the rise in the states and the possibility of a non Congress alternative even at the centre in the air the civil service will have to learn to be more independent in the political sense The need for such independence will be all the more if democratic self governance is extended to sub state levels

Shri P S Rama Mohan Rao I P S Chairman Hyderabad Allwyn Limited

C H A I .

Delivered at the 46th Annua Hyderabad Allwyn Limitec at 10 00 a m

WATCHWORDS FOR GROWTH: DIVERSIFY. INNOVATE. AND ADD VALUE.

On behalf of the Board of Directors and on my own behalf I extend to all of you a very warm and cordial welcome to this 46th Annual General Meeting of your Company As you may be aware I assumed charge as the Chairman of the Company only in February this year This is an assignment which I feel genuinely happy to fulfil with your goodwill and support

The Directors Report and the Audited Accounts for the seventeen month period ended 31 December 1988 together with Auditors Report have been with you for some time now May I therefore with your permission take them as read

Growth maintained 15% dividend declared

Your Company kept up its momentum of growth during the year 1987 88 also The gross revenue increased from Rs 108 20 crores in 1986 87 to Rs 192 48 crores in 1987 88 thereby registering an improvement of more than 25% on an annualised basis Correspondingly there was a jump of more than 30% in the operating results from Rs 11 95 crores in 1986 87 to Rs 22 09 crores in 1987 88 The net profit (after depreciation and interest) for the period under review amounted to Rs 4 17 crores as against Rs 3 16 crores for the year 1986 87 Keeping in view the heavy investments being made for modernisation and expansion of capacity your Directors have however recommended that the dividend may be limited to 15% for the extended period of 17 months The Company has been continuously making profits for the last one decade and paying a reasonable dividend to its shareholders Thus it has come a long way from 1969 when at the time of the Government of Andhra Pradesh taking over its management the turnover was just Rs 5 14 crores

The operating results in 1987 88 have to be viewed in the background of the various adverse circumstances like power cuts foreign exchange rate fluctuations and the higher burden of depreciation and debt service on account of the new plant and machinery installed not to speak of the sharpening competition in the market place

Nevertheless the performance of your Company provides encouraging proof of what Public Sector can achieve given the right mix of Government policy management practices and employee attitudes

Comprehensive modernisation programme underway

In a consumer durable industry like you product quality and customer satisfaction have become crucial to gaining and sustaining the competitive edge The liberalisation of industrial licensing policy in the country has transformed what was a seller s market into a buyer s market and whetted the appetite of the customer for Quality Value and Service And in an era of rap technological change and obsolescence constant product innovation and value addition are vital for survival in the market place No less important than all these factors is the economy of scale in production in orc to keep the competitive edge

All these considerations have impelle your Company to embark upon a comprehensive programme of modernisation of machinery expansic of capacity and strengthening of the marketing organisation The salient features of this effort consist of

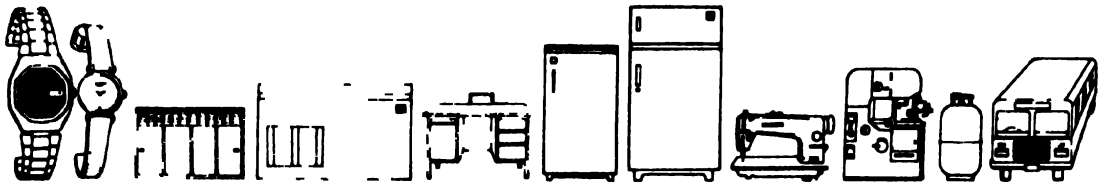
a) Modernisation of the existing production facilities at Hyderabad a cost of Rs 12 crores

b) Doubling the capacity for product of compressors at Hyderabad at a cost of Rs 18 crores

c) Installation of a new and modern refrigerator plant with a capacity c 1 25 lakh units per annum at Nandalur in Cuddapah District in fulfilment of Government s Policy of encouraging dispersal of industries into backward areas This facility is estimated to cost about Rs 25 cror

d) Provision of balancing equipment i the Watch Plant at Patancheru at cost of Rs 20 crores to attain the fu capacity production of 2 million watches per annum Besides reducing the import content of the watches to the unavoidable minimum

To finance these projects partly your Company has raised additional equity



M A N ' S S P E E C H

General Meeting of
Held on Friday, 30th June, 1989
at Hyderabad

capital of over Rs 10 crores through rights shares of Rs 10/ each floated at a premium of Rs 2/ per share I must avail this opportunity to thank all of you for making the issue a success

Better service and better products

These projects which are expected to be commissioned before the end of 1989 will no doubt improve the Company s strengths in the market place But it needs to be reaffirmed here that these strengths will be of little avail unless there is a matching effort at improving customer service and in assessing and responding to quickly changing consumer tastes and preferences towards this end an exercise has also been initiated at revamping and strengthening the marketing organisation besides investing more resources of mind and money in research and development Your Company s aim will be to constantly set the trend for product innovation and value addition

In this context I must also affirm that the track record of your Company is something one can be legitimately proud of Every single innovation feature in the domestic refrigerators has been pioneered by your Company starting from the roll bond freezer and ending with colour models On the Watch front also your Company has lived up to its promise and reputation in this regard by introducing for the first time in the country Polyamide Watches which are rugged light and relatively inexpensive We are heartened by the public response to this new product

Growth through diversification

No industry can survive without orderly and rational growth In the policy matrix of the Indian economy diversification is by now well recognised as an essential component of growth With the policy of broad banding of goods for the purpose of industrial licensing the need has arisen to become more alert and sensitive to opportunities for diversification even if in related fields

Your Company will therefore explore all possibilities for diversifying its product mix even while making every effort to quickly bring the capacities already added to full utilisation on a stable basis As it is the Company s product portfolio is so wide ranging as to encompass refrigerators bottle coolers deep freezers air conditioners watches furniture industrial sewing machines and bus and truck bodies On the initiative of the State Government the Company proposes to go into the manufacture of agricultural implements for which a subsidiary company in partnership with State Agro Industries Corporation and the AP Agricultural University is to be incorporated

People – our invaluable asset

It is axiomatic that an organisation can only be as good as the quality of its people With more than [illegible] employees on its rolls your Company could not afford to be insensitive to their needs and aspirations The employees are equally conscious of the reality that their well being and future are organically interwoven with the prosperity and growth of the Company The outcome of this happy synthesis of attitudes has been the continuously cordial and warm relationship between the management and employees right from 1969 characterised by the absence of any strikes or lockout The contribution of the recognised employees union to this ideal state of affairs is its public acknowledgement

Higher productivity through creativity

Productivity through people has become one of the commandments for industrial excellence Your Company is fully alive to the implications of this principle in terms of adapting and updating human skills at production in step with the revolutionary changes in technology Productivity can also be improved through unleashing the creative capabilities of human beings and providing a climate of self motivation and control Quality Circles are by now widely recognised and accepted all over the world as an effective channel for the creative energies of workers Your Company has been actively encouraging the formation and functioning of Quality Circles whose number has now exceeded 50 It is a matter of great pride and immense satisfaction that one of the Quality Circles of your Company has been adjudged as the best at the National Convention held recently in Bangalore under the auspices of the Confederation of Engineering Industry Apart from Quality Circles it is the earnest wish of the Company to encourage various other forms of skill building and productivity promotion by making adequate investments in training and organisation development

Savings through stricter energy audit

Conservation of energy is a national concern given the size of India s population its limited resources of liquid fuel the profile of its hydel power potential and its ecological imperatives I am glad to report that your Company, has initiated various measures to conserve energy and ensure a strict audit on the consumption patterns As a result the savings on energy consumption alone amounted to Rs 30 lakhs during 1987 88 apart from the contribution to the national cause

Future depends on what we do today

I must however conclude on a note of caution The future affords no room for complacence The challenge of competition in the market place is growing fierce and complex at the same time We need to be both perceptive and resilient to meet the challenge Consolidation of the existing lines of production has to be combined with quick investments in new areas of promise and profitability and an equal readiness to divest from areas which have no future and if persisted with will only affect the bottom line This will be possible only if the Company continues to enjoy the confidence support and cooperation of the Union Government Government of Andhra Pradesh Financial Institutions Bankers our Foreign Collaborators Employees Suppliers Customers and all of YOU With such cooperation and understanding from all concerned your Company can continue to move in the front ranks of the Indian Industry

This does not purport to be a report of the proceedings of the 46th Annual General Meeting

HYDERABAD ALLWYN LIMITED

ALLWYN BHAVAN SOMAJIGUDA HYDERABAD 500 018

people make the difference

Food Subsidies: In Search of Cost-Effectiveness

Ashok Gulati

Food Subsidies in Developing Countries Costs Benefits and Policy Options edited by Per Pinstrup-Andersen, published for the International Food Policy Research Institute, USA, by the Johns Hopkins University Press, Baltimore and London 1988 pp xvii + 374

I

Explicit and Implicit Food Subsidies

SUBSIDISING food is a widely prevalent policy in most of the developing countries of Asia Africa and Latin America Its form and dimension however varies across countries depending upon the mix of political social and economic factors Accordingly benefits and costs of specific food subsidy programmes also differ significantly The experience gained from different variants of these food subsidy programmes can be of immense guidance to policy makers of developing countries in assessing and modifying their own food subsidy schemes with a view to making them more cost effective Viewed from this angle the book is an important contribution in the field of food policy

The book perhaps first of its kind is in fact a confluence of eight years long (1978 86) research initiated by IFPRI on the question of food subsidies in developing countries More specifically nine countries have been studied in the book although lessons are also drawn from the experiences of other countries Three papers focus on Egyptian food subsidies two on India and one each on Philippines Bangladesh Pakistan Sri Lanka Brazil Mexico and Zambia Another nine chapters synthesise the findings of these country specific studies on different aspects of food subsidies One more deals with introduction and two with macro and micro policy implications of consumer oriented food subsidies

The thrust of this book is reviewed here critically under four aspects of food subsidy The first aspect deals with identification and quantification of food subsidies in its explicit and implicit forms the second and third with the measurement of benefits and costs (respectively) of food subsidies and the last with various alternative options to make food subsidy programmes more cost effective Additionally based on the methodology enunciated in several papers contained in the book, an attempt is made to provide certain latest estimates of food subsidy (explicit and implicit) for India It is expected that these estimates and the analysis based on them would lead readers towards a better understanding of the subject in Indian context

Food subsidies to consumers in developing countries generally assume two forms explicit and implicit Explicit subsidies refer to those food related consumer subsidies which are financed by the government budget (central or state) Implicit food subsidies on the other hand are those that are financed by producers of food This happens as a consequence of several economic policies towards the agricultural sector food in particular which make the producers prices lower than what they would be otherwise The distinction between explicit and implicit food subsidies assumes greater relevance once one tries to identify the group (or sector) who bears this burden In the case of explicit subsidies the affected group will differ depending upon whether the government finances this food subsidy through deficit financing or taxing a particular group (sector) or cutting back the allocation of a specific sector In case of implicit food subsidies however the entire burden is borne by the agricultural sector

In most of the developing countries the commodities subsidised are wheat rice and maize and the form of subsidy is either explicit or implicit or both simultaneously For example in Bangladesh wheat and rice are subsidised mainly explicitly But Brazil subsidises wheat both explicitly and implicitly So does China in the case of rice and Zambia in the case of maize. Wheat is explicitly subsidised in several developing countries such as Egypt India Morocco Pakistan and Sudan while rice is explicitly subsidised in Philippines India and Sri Lanka Thailand is a classic case of implicitly subsidising rice through an export tax The dimension of explicit food subsidies differs across countries For example in Bangladesh food subsidy (including food aid) was 5 1 per cent of government budget during the triennium ending (TE) 1979 80 If food aid is excluded, this percentage would touch 9 67 for the same period (Ahmed p 223) In Egypt which appears to be running comparatively the biggest food subsidy scheme amongst developing countries selected in this book, food subsidy accounted for about 11 6 per cent of government budget during TE 1976, and about 9 5 per cent during TE 1980 (Von Braun p 185, see the histogram) In Sri Lanka the food subsidy was as high as 15 per cent of government budget in 1977, but came down significantly touching less than 5 per cent by 1982 (Edirisinghe pp 258 59) Similarly, in Pakistan the food subsidy through federal and provincial governments was of the order of 14 6 per cent of government budget during TE 1975 76 and declined to only 6 7 per cent during TE 1982 83 (Rogers pp 250 251) These examples clearly reveal one thing that explicit food subsidies as a share of government budgets in most of the developing countries were quite high in the early 1970s but declined significantly during the late 1970s and early 1980s This happened partly as a result of falling international prices of wheat and rice especially since 1982 and partly due to significant changes in domestic food subsidy policies in several developing countries such as Sri Lanka Pakistan Bangladesh etc

The dimension of implicit food subsidy also differs widely across countries Several policies are adopted to bring in effect implicit food subsidies These policies generally operate by controlling or tinkering with foreign trade For example by imposing an export tax on food (like on rice in Thailand) its domestic price can be made lower than its international equivalent price Sometimes interventionist policies in the domestic market can also achieve the same end for example through imposing levies on producers or millers of food Miller's levy in case of rice in several Indian states particularly Punjab and Haryana which contribute more than 60 per cent to the central pool is a case in point Domestic policy might also take the form of monopoly procurement by government like paddy procurement in Thanjavur district of Tamil Nadu state It may also suppress domestic producers prices especially in surplus areas by imposing restrictions on the movement of foodgrains from one state or zone (surplus) to another (deficit) All these mechanisms ultimately have their common goal that the domestic prices of food be made cheaper than what they would be otherwise And that this goal is achieved without any significant fiscal cost to the government Depending upon the intensity of policies adopted results varied in different countries For example, in Sri Lanka the domestic price of rice was 83 per cent of its equivalent international price during TE 1980 Similarly, this percentage was 78 for Bangladesh rice in 1977 78 and 65 for Thai rice during 1978-80 In case of wheat, domestic producer price in Pakistan was 88 per cent of equivalent international price

during 1976-81; 57 per cent in Egypt during 1978-80 and 100 per cent in Brazil during 1977 81 (Von Braun, p 100)

What is the Indian scene in terms of explicit and implicit food subsidies? Out of the two articles on India, the one by George attempts to provide these estimates, while the one by Binswanger and Quizon tries to quantify the effects of various policy packages on relevant variables such as national income, cereal production cereal prices, wage rate, labour employment etc Binswanger and Quizon carry out this exercise by using their econometric model for Indian agricultural sector (1986) based on a reference year of 1973 74, and then conducting simulation experiments under alternative scenarios George's estimates of explicit food subsidy for 1980s however do not have decomposition in terms of consumer subsidy and buffer stock subsidy But more questionable is his stand about implicit food subsidy While George maintains that compulsory procurement does not act as disincentive to producers (it may rather raise his price) (p 235) Binswanger and Quizon estimate that it does adversely affect the producers (p 312)

To have a clear idea of India's explicit and implicit food subsidies we have generated our own estimates for 1980s as follows explicit food subsidy is deemed to compose of consumer subsidy and cost of carrying buffer stocks Consumer subsidy in turn is estimated as the difference between economic cost[1] of foodgrains to Food Corporation of India (FCI) and it wholesale issue price This difference is reimbursed to FCI by the central government as consumer subsidy Besides this government maintains a buffer stock as an insurance against crop failure or even to keep prices within reasonable limits There is a sizeable cost incurred in maintaining this buffer stock in terms of interest godown charges etc This is added in consumer subsidy to obtain explicit food subsidy (see table) Estimation of implicit food subsidy involves the assumption of free trade not only within the domestic economy but also across the national boundary The difference in the producer's price under this free trade scenario and what he is actually getting under existing controlled trade scenario is the implicit food subsidy to consumers If India is considered as a net importer[2] of foodgrains like most of the other developing countries, then the likely price which Indian farmer would get for his grain under the free trade scenario would be the import parity price. If imported grain competes with the domestic grain in the port city the price would be fixed there as equal to the landed cost of imported grain For the domestic producers of grain in the surplus areas, the import parity price would get squeezed by transport and marketing costs from port city to surplus area On the other hand for producers in deficit areas, the price would be either equal to the landed cost of imported grain in the port city *plus* transport and marketing costs from the port city to deficit area or the price in the surplus area plus transport and marketing costs from the surplus to deficit area, whichever of the two is lower It is with this methodological framework that we have estimated the implicit food subsidy on wheat and rice In the case of wheat imported wheat from the US is assumed to compete and set the price in Bombay while in the case of rice imported Thai rice competes with domestic rice at Calcutta Their import parity prices for domestic producers are estimated by deducting 5 per cent from their landed costs towards domestic transport and marketing costs The price wedge between import parity price (so obtained) and the procurement price[3] is multiplied by the quantity produced at home This renders estimates of implicit food subsidy (see the table)

The table presents estimates of both explicit and implicit food subsidies for wheat and rice during 1980s It may be observed that explicit food subsidies are on a sharply rising trend and have more than trebled by 1986 87 implicit food subsidies have more than halved between 1980 81 and 1986 87 The per unit explicit food subsidy has gone up by more than 80 per cent over the period Within this, however, the consumer subsidy per unit has revealed an increase of 120 per cent Thus, total consumer subsidy increased both because of increase in the volume of food procured and distributed by FCI as well as due to faster increase in per unit economic cost over issue price On the contrary, buffer subsidy has almost trebled primarily due to the increasing size of buffer stocks Implicit food subsidy which was more than seventeen times the explicit subsidy during 1980-81, declined to levels that was only twice the size of explicit subsidy by 1986 87 This rapid decline in implicit food subsidy was the result of a dramatic fall in prices of rice in international market Nevertheless, the implicit food subsidy still constitutes a major component of total food subsidy to Indian consumers The implication of this result is quite clear it is the cultivators of wheat and rice who are financing a larger portion of food subsidies The budget subsidy on food as presented in government budgets is a gross underestimation of the extent of food

TABLE EXPLICIT AND IMPLICIT FOOD SUBSIDIES IN INDIA DURING 1980s

Particulars	Unit	Years						
		1980 81	1981 82	1982 83	1983 84	1984 85	1985 86	1986 87
1 Explicit Food Subsidies (1A + 1B)	Rs crore	661 48	777 22	944 09	1091 37	1352 68	1890 96	2132 64
		(71 67)	(90 47)	(96 83)	(98 43)	(111 68)	(118 76)	(131 41)
1 A Consumer subsidy								
1 A 1 On wheat		306 05	365 96	432 63	355 88	422 18	865 02	936 06
		(40 20)	(53 73)	(55 40)	(49 07)	(63 46)	(69 57)	(84 93)
1 A 2 On rice		179 35	256 45	326 99	466 50	432 56	508 37	686 53
		(34 03)	(42 94)	(53 35)	(66 70)	(74 87)	(77 34)	(80 47)
Total (1 A 1 + 1 A 2)		485 4	622 41	759 62	822 38	854 74	1373 39	1622 59
		(37 67)	(48 69)	(54 50)	(57 72)	(68 76)	(72 26)	(82 98)
1 B Buffer subsidy (cost of carrying buffer of wheat and rice together)		176 08	154 81	184 47	268 99	497 94	517 57	510 05
		(34 00)	(41 78)	(42 23)	(40 71)	(42 92)	(46 50)	(48 43)
2 Implicit Food subsidy (2A + 2B)		11330 17	10722 64	4005 22	6362 74	7141 07	6232 32	4500 20
		(132 58)	(119 73)	(47 36)	(61 84)	(68 78)	(57 76)	(41 87)
2 A On wheat		1552 35	1919 35	1330 22	1629 87	2652 39	2737 63	1379 51
		(48 77)	(52 86)	(35 52)	(38 09)	(58 32)	(62 12)	(29 32)
2 B On rice		9777 82	8803 29	2675 00	4732 87	4488 68	3494 69	3120 69
		(182 32)	(165 32)	(56 77)	(78 75)	(76 94)	(54 75)	(51 65)
3 Total Food Subsidy (1 + 2)		11991 65	11499 86	4949 31	7454 11	8493 75	8123 28	6632 84
		(204 25)	(210 20)	(144 19)	(160 27)	(180 46)	(176 52)	(173 28)
4 Total food subsidy as percentage of GDP at factor cost (current prices new series)	per cent	9 81	8 05	3 12	4 01	4 09	3 47	2 54

Notes 1 Food subsidy here indicates subsidy on wheat and rice only
2 Figures in parentheses are subsidies (Rs) per quintal of grain (wheat or rice or both combined)
3 Implicit subsidy on wheat is estimated by multiplying the price wedge between import parity price (April June) and procurement price by the quantity produced Similarly implicit subsidy on rice is estimated by multiplying the price difference between its import parity price (October January) and Punjab procurement price of rice (which on an average is higher than for other states) by the quantity of rice produced

Sources 1 *Annual Reports*, Food Corporation of India (different years (for explicit food subsidies)
2 *FAO Monthly Bulletin of Statistics*
3 *FAO Trade Year Book*
4 *Economic Survey* 1988 89
5 *Reports of the CACP on Price Policy for Kharif and Rabi crops*

subsidy. The transfer of resources from government to private sector (consumers) therefore is minor. The major transfer of resources takes place within the private sector, that is from the producer of food to consumers of food. Viewed from another angle, this implicit subsidy on food is in fact an implicit tax on cultivators of wheat and rice.

II

Benefits from Food Subsidies

One may measure benefits from food subsidies in terms of the objectives that this subsidy policy had set out in the relevant country. Reviewing the cross country food subsidy policies, Valdes in his probing article spells out five possible objectives of food subsidies: (1) reducing malnutrition among low income groups; (2) achieving food security; (3) reducing instability in food consumption (particularly for one targeted segment of the population); (4) redistributing income in urban areas; (5) lowering food prices thus enabling wages to be low relative to the price of industrial goods as well as relieving the fiscal burden of public sector employment; and (6) reducing domestic price inflation (Valdes, p. 8).

Given high income and price elasticities for staple food, particularly among the poorer households, food subsidies in all probability are likely to result in higher food consumption by the poor. This would have a positive effect on the nutritional status of the hitherto malnourished amongst the poor. This is clearly borne out by the country studies. For example, George's paper on India presents estimates of calorie reduction if rationing (food subsidy scheme) were discontinued in Kerala and Gujarat states. Based on his earlier (1983) work, George calculates that in Kerala calorie intake would go down by 46 per person amongst the higher income group and by 138 amongst the lowest income group. The highest loss of 224 calories per person however is to the households of low middle income group (Rs 1,201-2,400 annual household income). In Gujarat loss would be in the order of 178 calories per person in the highest income group and 192 calories per person in the lowest income group (George, p. 239). In Sri Lanka the food subsidy scheme contributed 151 calories per person in the lowest expenditure quintile, which constituted 11 per cent of the total calorie intake by that expenditure group. This contribution was just 0.6 per cent in the highest expenditure quintile (Edirisinghe, p. 264). In Pakistan the income effect of food subsidy scheme is estimated to be about 114 calories per person in urban households below median income levels and 37 calories to households above these levels. The increase in rural calorie consumption was negligible (Rogers, p. 247). In Bangladesh the low income urban consumers are estimated to have consumed 250 calories more per person due to subsidised rationing system (Ahmed 1979; Pinstrup Andersen, p. 11). In Philippines, the results of a pilot study of food discount programme revealed that it contributed about 140 calories per adult equivalent per day, which is approximately 8 per cent of the total calories consumed by those households. While these studies amply demonstrate that food subsidy schemes help raise the consumption levels and thereby the nutritional status of the poor and the middle income groups, there is hardly any evidence about the effect of food subsidies on intra household food distribution and thereby its impact on the nutritional status of the individuals, particularly women, within the beneficiary household.

The objective of food security has two aspects: one relating to household food security and the second to national food security. While the two are interwoven to an extent that it would be difficult for a country to ensure food security at household level without first ensuring it at national level, yet the distinction between the two is desirable because of their separate effects on food subsidy scheme. The ration or fair price shops in India, Pakistan, Bangladesh, etc. assure a fixed quantity of foodgrains to households at a fixed price. This provides an effective insurance cover to households buying from these ration shops against the fluctuating market prices. In consequence, price and accompanying consumption fluctuations are transferred either to government or to the rest of the market (Pinstrup Andersen, p. 4). The operation of such a food system involves explicit costs (subsidies) which are revealed in the estimates of consumer subsidy. For India, as seen from the table, this estimate varied from Rs 485 crore in 1980-81 to Rs 1,622 crore in 1986-87. In case of national food security, it is the subsidy (cost) of carrying a required amount of food as buffer stock which is relevant. In the Indian case this was Rs 176 crore in 1980-81 and Rs 510 crore in 1986-87 (see table). The success of food subsidy policy with respect to food security objective would depend upon the extent to which household consumption depends upon these ration shop supplies and what is the relative size of buffer stocks. Estimates differ across countries.

Redistributing income through food subsidy is another objective which may be examined with care. In many developing countries, distribution of subsidised food has a clear bias in favour of urban people which are relatively better organised and more vocal. Often the most potent groups are civil servants, the military and labour and sometimes industrial interests (Hopkins, p. 124). Given this political calculus, the major share of food subsidy gets concentrated in few pockets. In India, Maharashtra, West Bengal, Tamil Nadu and Kerala account for about half of food distributed through FPS. Within these states, Bombay, Calcutta, Madras and Delhi cities account for the larger share. It is only in Kerala and Jammu and Kashmir that subsidised food system is extended properly to the rural areas. But in other states, although fair price shops exist in rural areas, supplies remain concentrated in urban areas. On the whole, urban areas are estimated to be receiving about 85 per cent of the total foodgrains distributed by the government of India (George, p. 236). Across various income groups in India, George presents an approximate figure of 65 per cent subsidised grain going to households with annual incomes of less than Rs 3,600, 20 per cent to those in the Rs 3,600-4,800 range, and 15 per cent to those with incomes of more than Rs 4,800 (p. 237). Similarly, a strong urban bias was found in food subsidies in Bangladesh (Ahmed, p. 228), Pakistan (Rogers, p. 248) and China (Hardy 1983; Pinstrup Andersen and Alderman, p. 26). However, the subsidised food system in Sri Lanka, Egypt and Kerala in India was not found to be having that type of urban bias (Pinstrup Andersen and Alderman, p. 26).

The lowered food prices in the urban areas through concentration of subsidised food in these pockets obviously must have helped to keep wages of workers relatively low. Although there is not much empirical evidence on this in the papers contained in the book, it won't be illogical to say that it helped the employers in the organised sector, the government and the private capitalists, to keep their wage bills low. It appears that the employer in the private sector is in fact a gainer from this system, more so when supplies of subsidised food are concentrated in urban cities. If these capitalists operate in an oligopolistic market environment for their produce, as is the case in most of the developing countries, this helps them in raising their profits.

Subsidised food systems also act as an anchor to domestic inflation and thereby help the country to avoid social unrest. Scobie in his study on Egypt comments that subsidised prices were seen as part of the moral responsibility of the rulers and was an important element in the preservation of social stability. And this has happened there for centuries. Any violent instability in food prices leads to food riots, which were as real in the fourteenth and fifteenth centuries as they were in 1975 and in January 1977 (Scobie, p. 197).

Besides the various benefits spelt out above, one should also attempt to quantify the impact of food subsidy on human capital formation and thereby net return on it in terms of increased labour productivity. Although the papers contained in the book do not focus on this issue, Valdes draws some evidence from Torche's work (1981) on Chile's national health and nutritional programme for pregnant women and pre school children. Valdes concludes that the long term social rate of return on this programme was substantially higher than 17 per cent. Hence such investment in supplementary feeding and health for the poor not only helped in providing a basic need—improved health and nutrition for pre school children and mothers - but it also contributed to increasing the long term productive capacity of the poor" (Valdes, p. 91).

III

Costs of Food Subsidies

Technically costs in economic jargon are defined as the benefits forgone. Therefore to measure economic costs of food subsidies one must identify the group which loses and quantify that loss in terms of benefits forgone. A proper identification and quantification of these losses can be carried out in a macro economic framework that encompasses not only fiscal and monetary policies but also policies pertaining to foreign trade and exchange rate.

As far as *explicit* food subsidy is concerned which is financed from the government budget its cost can be measured by examining how the government recovers this financial expenditure on food subsidies. Does it go for additional taxation on a particular group? If so the cost of food subsidy would be the benefits forgone by that group whose income is taxed by the government. If on the other hand food subsidy is financed by deficit financing which might generate inflationary pressures in the economy the cost would be measured by the benefits forgone by various groups in the economy as a result of inflation. If however the food subsidy is financed by cutting down expenditure on some other head in the budget the relevant cost would be the benefits forgone in that particular sector. Since governments never specify how they are financing expenditures under a particular head such as food subsidies it becomes very difficult to capture the true economic cost of these food subsidies. What an economic analyst perhaps can do is to create alternative scenarios by conducting several policy simulations in a macro economic model of the country under consideration. This is essential because food subsidy policy is not an isolated policy. It has macro economic linkages which must be identified and quantified for any meaningful estimates of costs. This is all the more important for those countries which incur heavy expenditure on food subsidies.

Scobie's paper (pp. 49-76) presents a theoretical framework which would be a very useful piece of analytical approach for the economic analysis of food subsidy policies in several developing countries. Binswanger and Quizon's paper on India is equally important as it gives an empirical mapping to the technique of capturing effects of several policy packages pertaining to food subsidies in a comprehensive general equilibrium model of India's agricultural sector. More research is required to appropriately quantify the economic costs of food subsidy policies than what is contained in this book. Most of the country papers in the book have confined their analysis only to the measurement of direct financial cost of running a food subsidy programme. Estimates differ across countries. For example Egyptian food subsidies accounted for 20 per cent of current expenditures and 7 per cent of GDP in 1980-81. Sri Lankan subsidies reached 14 per cent of government expenditure and 6 per cent of GNP by late 1970s. In the late 1970s the direct costs of Chinese food subsidies have been reported as 23 to 26 per cent of government revenue. In Bangladesh food subsidies represented between 15 and 27 per cent of current government expenditure in the mid 1970s (Scobie, pp. 60-61). In India the revised budget estimate of 1987-88 puts the food subsidy at about 9 per cent of central government budget expenditure. George's paper on India goes a little further and estimates the indirect subsidy which FCI receives in the form of subsidised interest rate. This interest subsidy George estimates at Rs 94 crore for the year 1980-81 (George, p. 235).

What is the economic cost of *implicit* food subsidy? We know that implicit food subsidy is financed by the producers in the agricultural sector rather than through the government budget. Therefore true economic cost of the implicit food subsidy should include not only the loss in income that cultivators suffer but also capture the impact of these depressed incentives for producers on the agricultural output and other relevant variables in the economy. We have estimated in the table the size of this implicit food subsidy which happens to be much larger than the explicit food subsidy. In order to quantify its effect on the agricultural sector only a partial analysis approach would be to look at the supply response functions of these commodities or preferably at the aggregate supply response functions. In this regard it may be noted that in an analysis of 31 developing countries by Agarwala (1983) it called that in countries with higher degree of price distortions indicating implicit subsidy to consumers (and implicit tax on producers) the growth rate of output was 2.8 per cent and that of exports was 4.3 per cent below the rates in countries classified as having low distortions (Scobie, pp. 55-59). It would have been interesting if the papers in the book had analysed how these disincentives affected capital formation in the agricultural sectors of various developing countries pursuing implicit food subsidy policies. One paper on Egypt (Von Braun, pp. 183-195) however reveals that increasing food subsidy (particularly implicit) raise the demand for input subsidies by cultivators. Therefore to have an idea of the net effect on farmers' incomes one should adjust input subsidies in the implicit tax (subsidy). But none of the papers in the book has attempted to estimate this net implicit tax on cultivators as a result of implicit subsidy to consumers.

IV

Towards a Cost Effective Approach

While we have seen above that benefits from the food subsidy scheme are in terms of increased consumption or enhancement of income amongst various expenditure groups, measurement of economic costs is rendered difficult due to lack of precise knowledge about the actual source of financing explicit subsidies. Thus, most of the studies have not gone beyond the quantification of explicit budget subsidies. Although it was desirable that corresponding estimates of implicit food subsidies at least would have been worked out for each country studied, yet only a few have attempted to explore this aspect in detail. Nevertheless it appears that these studies arrive at one common point of agreement that the benefit cost ratio, howsoever measured can be improved if an appropriate form of targeting is incorporated in the food subsidy scheme. The exact nature of targeting would vary across countries depending upon the socio-economic conditions and the degree of political power that different groups enjoy in that country. At present we observe a strong bias in favour of urban people in the food subsidy schemes of various countries (see Valdes, p. 84). This happens presumably due to two reasons: one given a high density of population in urban areas financial cost of distributing food subsidy becomes smaller. And two urban people are often more organised vocal and exert political influence. While this urban bias results in lowering financial cost of distributing food subsidy it also lowers the benefits derived from this scheme because beneficiaries are not the one most deserving either on norms of income or nutrition. Depending upon size of this leakage in food subsidy i.e. what goes to undeserving beneficiaries total cost of food subsidy may be too high to sustain for long. This would lower the benefit cost ratio even more. Thus designing an efficient system of targeting and reaching that target group become an integral part of food subsidy schemes.

The targeting may be income based as is the case in US food stamp programme. In such a system of targeting procurement and distribution of food remains with the private sector. The government is concerned only with the printing and distribution of food coupons and then giving some commission to retailers who supply food to consumers against those coupons. In this process not only the administrative cost of running the food subsidy scheme is minimised but also the leakage of subsidy going to ineligible beneficiaries is reduced. Thus the benefit cost ratio is likely to be quite high. However this income criterion for targeting runs into several problems in developing countries where the unorganised sector without any proper income records dominates. The extent of leakage therefore is likely to be much greater lowering the benefit cost ratio substantially. Besides successful working of a food stamps programme also requires a well developed and widely spread out banking and bureaucratic network to identify the eligible beneficiaries distribute food stamps to them and then also undertake redemption of stamps. This type of facility is often lacking in developing countries and hence the income criterion will not be a suitable choice for them to reach the target groups.

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Geographic targeting was followed in Philippine food price discount programme (Garcia, pp 206 218) Areas are selected for food subsidy programmes on the basis of nutritional deficiency There is already an agency (National Nutrition Council) which keeps a track of nutritionally worse off villages through Operation Timbang Depending on its results villages are selected for food subsidy and all households in that target village are extended that facility (Garcia p 209) Obviously such a scheme would be cost effective only if the target population is densely inhabited in certain villages and these villages are somewhat isolated from those with untargeted population so that the possibility of leakage is minimised But in countries where the target population is interspersed with the untargeted one it becomes difficult to operate such a scheme

There have been experiments in different countries to feed only pre school or school going children or pregnant women through subsidised food But the administrative cost of such schemes is generally very high and the scale of operation quite small

The other form of targeting is through commodity and its quality One may choose an inferior commodity with negative income elasticity for the food subsidy programme This would imply self targeting because only those with low incomes are likely to buy that commodity and as their incomes rise they would automatically move on to the non subsidised food* Theoretically it appears very attractive but operationally it becomes difficult to identify a commodity whose consumption is restricted only to poor people Staple grains like wheat and rice are being consumed both by poor and rich Thus implementation of a food subsidy scheme that involves targeting by commodity might involve a very high degree of leakage thereby lowering the overall benefit cost ratio Another variant of this self targeting approach is choosing inferior quality It is believed that wheat might be consumed both by poor and rich but if subsidised wheat is of poor quality rich will not opt for it and consequently the objective of targeting will be achieved Often it is observed that this type of approach brings more complaints to government adversely affecting its political image This happens particularly when the subsidised quality of food is not only of lower grade but contains foreign matter

Besides the problems listed above in targeting a decision also has to be taken whether the supply of subsidised food to consumer will be unlimited or rationed The benefit cost ratio of a food subsidy programme therefore depends upon all these factors, and how effectively one can sort out the problems related to its design and implementation (Rogers, pp 127 146)

How can one make India's food subsidy programme more cost effective? The papers on India contained in the book do not address this question directly But the wide coverage accorded to this subject in the book with cross-country experiences induces the reader to probe deeper in this direction

Two aspects of food subsidy policy need to be explored One relating to targeting in the distribution of food subsidy and the other pertaining to costs of procurement and problems associated with it It is well known that on the whole the Indian food subsidy programme which runs primarily through the public distribution system (PDS) does not have any explicit targeting It is also known that despite opening of fair price shops in rural areas the offtake from PDS remains concentrated in urban areas Further as per the existing scheme almost everyone in urban areas has a ration card irrespective of his income (it is like an identity card which is required for several other purposes as a proof of your staying in that area) Often rich people do not avail of subsidised food due to either its poor quality or the inconvenience of queueing and waiting and also due to prestige factor But their quota is generally procured from government by traders running FPS It is then diverted to the open market after cleaning where it fetches a higher price So two things are happening on the distribution front first as a result of the urban bias in PDS food subsidy does not reach the most deserving (poor) ones who are largely in rural areas and second within urban areas there is a sizeable leakage through traders who divert the unclaimed quota of subsidised food to open market To reduce this leakage and make the food subsidy programme more cost effective to start with at least in the metropolitan cities of Delhi Bombay Calcutta and Madras targeting based on income criterion may be introduced Since several people in these cities work in the organised sector, their income records would be relatively better than those in the unorganised sector If the cut-off point is kept at a reasonably high level of income the political opposition to this change in policy may not be there, because that income group may not be drawing ration supplies any way It will in fact plug the leakage that was arising out of traders procuring these supplies and diverting them to the open market Depending upon the experience gained in these metropolitan cities similar steps can be taken to cover up other major industrial towns in the country

For rural areas targeting may be done either on commodity (and quality) basis or some sort of seasonal targeting may be introduced to help the poor through food subsidy programme Commodity targeting may differ across regions depending upon consumption habits of its inhabitants and comparative efficiency (especially with respect to water) in their production in those regions For example, rural areas in the states of Rajasthan Punjab, Haryana, Himachal Pradesh, Uttar Pradesh and north Bihar may be offered food subsidy through wheat and maize, in Gujarat, Maharashtra, western Madhya Pradesh and non coastal areas of Karnataka and Andhra Pradesh through wheat, jowar and bajra, and in rest of the states through rice and any other cereal the government has in surplus The logic behind this region specific commodity targeting lies not only in minimising the cost of distributing surplus grains but also in promoting efficiency in the production of these cereals. To clarify this point it may be briefly mentioned here that at present most of the procurement of wheat and rice for the central pool comes from the states of Punjab, Haryana and western Uttar Pradesh, which is transported to far off places in southern and eastern India The average lead distance covered by rails was 1 509 kms per consignment in 1986 87 and 1 533 kms in 1985-86 Government market support for these cereals in these states is so strong that a non-rice eating state like Punjab has gone in for rice cultivation in a big way substituting for crops like maize and sugarcane The problem arises because rice is a water intensive crop while Punjab is a low rainfall area (normal rainfall about 60 cms) calling for irrigation requirement of about 164 cms Irrigation charges on the other hand are pitiably low on both canal water and on electricity in case of tubewell water (Revenue tariff was about 10 paise KWH in 1986 87 against cost of operation of about 71 paise KWH) Besides, the water table in Punjab is receding in the rice growing regions Effectively what this indicates is that the real resource cost of producing rice in this region is very high and if one adds to this the cost of transporting it down south or to the eastern region (which incidentally is also subsidised) actual cost would be even higher Thus production of rice in this region needs to be discouraged by restructuring incentives in favour of maize cultivation Similarly incentives for jowar and bajra cultivation in central-western states need to be raised such that their surplus can be generated while promoting allocative efficiency in the cropping patterns of these regions Such a restructuring might involve either regionally differential pricing of output or uniform allocation of input subsidies per unit of output

Turning to per unit procurement costs, one observes a rising trend despite increasing scale of procurement With the surplus concentrated in a few states one would expect economies of scale but what is being observed is perhaps indicative of diseconomies of scale The reasons underlying this phenomenon appear to be (i) heavy arrivals of grains in the market immediately after harvest almost choking the markets and transportation facilities resulting into not only damage of grain but also heavy transit and storage losses (thefts) which were as high as Rs 151 crore in 1986-87 and Rs 136 crore in 1985 86 and (ii) lack of bulk handling facilities and procurement centres being away from railway stations This involves lot of unnecessary local transportation and handling expenses to move the grains from markets to godowns and then from godowns to railway stations for taking the surplus grains to deficit states While opening up of

procurement centres at railway stations to directly take the grain out of the state and introduction of bulk handling facilities will reduce the per unit cost of procurement the cost of transporting to far off places (average lead being more than 1 500 kms) will not be affected The real cost of this transportation will be much higher if one adjusts for subsidy in railway freight for foodgrains and the fact that half of wagons have to come back to Punjab almost empty

The upshot of the above analysis is that by introducing region specific commodity targeting in favour of coarse cereals in food subsidy scheme it is not only that distribution and procurement costs are likely to be cut but allocative efficiency in cropping pattern will also be enhanced

Seasonal targeting normally is carried out through food for work programmes In the Indian case food subsidy distributed through National Rural Employment Programme (NREP) Rural Landless Employment Guarantee Programme (RLEGP) and drought relief programmes perhaps would fall in the category of seasonal targeting Although this form of targeting proves very effective in reaching the target group its scale of operation needs to be significantly expanded if any worthwhile results are to be obtained It wont be out of place here to think in terms of creating an army of construction workers who are organised in gangs of 25 or so each extended three months training on army lines and then put to work such as developing a drainage system in the waterlogged areas of the east or major and medium irrigation projects etc Two persons in this gang of 25 workers may look after the the kitchen work for the rest and kitchen moves along with the gang and receives subsidised rations from the scheme authority It would be desirable to make partial cash payments on work basis and the scheme is made a regular feature rather than a seasonal programme Obviously it would demand not only much larger resources than are being allocated at present but also preparing productive work schemes organising recruiting training and deploying the workforce Keeping this in mind it appears a separate department or even ministry can be created for this which will integrate multiple objectives of providing productive employment in rural areas reducing poverty and malnutrition and also distributing food subsidies to the target groups

At the end a few shortcomings of the book may be pointed out First the book suffers from quite a bit of repetition of the same arguments This makes the book not only voluminous but also goes against its readability This is particularly true of the synthesis papers (pp 21 167) Presumably this happens as all these papers try to draw their inferences from the same set of country studies Still the overall readability of the book could have been improved with thorough sifting and editing of these articles Second, the book should have contained a methodological chapter spelling out details regarding quantification of benefits and costs of food subsidy schemes This chapter which could have been a synthesis of the papers by Scobie Valdes and Braun (chapters 4 6) should provide due coverage to data problems and suggest means to skirt them All country studies (pp 171 319) in their empirical work should have adhered to the approach delineated in this methodological chapter Third absence of such an approach paper in fact results in lack of symmetry in the empirical findings across countries For example consider measuring even the very dimension of food subsidy schemes in different countries Some papers measure only explicit subsidies others attempt to capture implicit subsidies too Some express these subsidies in absolute rs others as percentage of government budgets and still others as percentage of GNP The reader gets confused Confusion increases as one finds different country figures for explicit subsidies in different tables (e g in Tables 5 1 and 6 2) In the Indian case we consider Table 1 1 (pp 6 7) in Pinstrup Andersen's article which indicates that subsidy is mainly explicit and targeting is for the total population Valdes however in Table 5 1 (p 84) states that explicit subsidy reaches mainly the urban population and that it is about 4 per cent of government expenditure But Braun in his similar comparative country Table 6 2 (p 9[illegible]) skips India altogether It would have been much better if at least four tables 1 1 5 1 6 2 and 6 4 in the book would have been combined into one and presented in the first introductory chapter

Despite these shortcomings the book is a refreshing contribution to studies on food policy

Notes

1 Economic cost comprises of procurement price plus procurement incidentals ranging from mandi charges to gunny bags plus distribution incidentals If there are any storage or transit losses they also will have to be taken care of

2 In case India is considered as a net exporter the calculation would differ because then domestic grain would compete with foreign grain on some foreign land and set the price there For domestic producers export parity price would be the price set on foreign land *minus* all the transport (international and domestic) and marketing expenses all the way from that foreign land to domestic producer's area

3 We have deliberately avoided farm harvest prices as they do not take care of the quality aspect The relevant months for wheat are April to June and for rice from October to January when bulk of the produce is marketed

4 It may however be remarked that this implicit tax is gross In order to have an estimate of net implicit tax one has to adjust input subsidies that cultivators of food enjoy This would amount to estimation of what in literature is known as producer's subsidy equivalent which is not attempted here

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It is [illegible] the fitness of things that a nation as complex and diverse as India should periodically review its political institutions to assess their suitability in [illegible] to ongoing [illegible] It is in this context that the recent debate on the cabinet versus the presidential system has taken place in India

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Neglected Aspects of India's Development Planning

Pradhan H Prasad

Indian development planning failed to examine the alternative theoretical possibilities of different values of the increment of output to investment in different sectors of the economy and to provide empirical content to these. This would have narrowed the conflict among the objectives of higher levels of accumulation, technology, employment and production in the short period.

INDIA's post-independence process of development planning is unmistakably linked with the socio-economic dynamics and the movements that took place during the colonial period. It has been maintained that the nineteenth century is an important landmark in Indian history. This period is important because the establishment of British rule was completed in 1818 and the year 1905 marks the beginning of national struggle by Indians against the British rule.[1] The objective condition for India's independence movement was presented by the continuation of an increasing mass impoverishment and unemployment in almost every part of British India. This in turn was caused by a stagnant agriculture associated with semi-feudal relations of production, destruction of Indian handicraft over time and space, and also by the uneven regional but weak and partly dependent industrial capitalist development. This independence movement initiated by the middle class intellectuals got unprecedented mass support. However, in the later years, just a few years before independence, it also came to be largely controlled by the big industrial bourgeoisie. The process of de-industrialisation, backed by a growing unemployment, had generated an intellectual climate where economic development was thought to be synonymous with industrial development. This thinking can be traced in the writings of nationalist economists. Mahadev Gobind Ranade had written: 'while the improvement of agriculture and the development of industry should go hand in hand, in the Indian condition the latter should be given priority. There is enough support for this thinking in historical writings related to that age. The transformation of a civilisation into a nation state was the first and foremost objective of the liberation struggle within India in the last quarter of the 19th century. The leaven which sought to bring about this transformation was the leaven of nationalism. Yet the objectives of nationalism were by no means confined to the political domain. An equally important objective was the transformation of India's traditional economy into a modern economy, resting upon industrialisation and upon the commercialisation of rural society. Behind this objective—which, of course, was not without its critics—lay the belief that an industrial revolution would stimulate the generation of material wealth and thereby provide the basis for a richer cultural and intellectual life. Even Nehru with a scientific bent of mind could not escape this influence which is evident from his support to primacy of industrialisation in the context of development of India: I am for all tractors and big machinery and I am convinced that the rapid industrialisation of India is essential to reduce the pressure on land, to combat poverty and to raise standards of living, for defence and a variety of other purposes.[4] Such a thinking process implicitly assumed that agricultural development had limited scope since land was limited and was subject to diminishing returns. Therefore, the labour absorptive capacity of agriculture was also thought to be negligible. The result was that questions related to agricultural development, the labour absorptive capacity of agriculture and agricultural technological revolution as a pre-condition to healthy industrial growth (in a labour surplus economy such as India) were not professionally and competently examined when our planning process was initiated.

Since industry was more capital intensive than agriculture in the then existing Indian situation, the thinking which dominated the planning process was of a conflict among the objectives of higher levels of accumulation, technology, employment and production in the short period. This thinking also drew inspiration from the historical evidences of the growth experience of the developed capitalist nations of the period when industrial sector had come to play a pivotal role in their progress. This assumption was further reinforced when India opted for a self-reliant growth strategy in the mid-fifties[5] because capital goods sector was more capital intensive than the industrial consumer goods sector.

Feldman-Mahalanobis model[6] rightly theorised that in a closed economy higher is the proportion of investment flowing in the capital goods, higher will be the income generated in the long period and lower in the short period. The model also brought forth sharply the fact that marginal rate of saving (= investment) in the economy is an increasing function of the proportion of investment flowing to the capital goods sector. However, Mahalanobis failed to take into account explicitly the fact that wage-goods component of the consumer goods sector is as much a basic good[8] as the capital goods. Therefore our planners failed to examine the alternative theoretical possibilities of different values of ratios of increment of output to investment in different sectors of the economy and provide empirical content to these—the alternative which would have narrowed the conflict between the above mentioned objectives.

A Theoretical Formulation

Let us begin our theoretical formulation by dividing the economy into three sectors: wage goods sector, capital goods sector I and capital goods sector II as follows:

$$(a_1w + a_2p + a_3q)(1 + r) = A \quad (1)$$

$$(b_1w + b_2p + b_3q)(1 + r) = Bp \quad (2)$$

$$(k_1w + k_2p + k_3q)(1 + r) = kq \quad (3)$$

where A, B and k are respective outputs of wage goods sector and capital goods sector I and II; p and q are respective prices of outputs of capital goods sector I and II and r is rate of surplus (i.e. rate of profit). Here a_3, b_3 and k_3 are all positive and therefore, all the three composite commodities of the three sectors are basic goods.

Let us for the sake of simplicity take a numerical example and assume w = 1 and $a_1 = b_1 = k_1 = 1$ as follows:

$$(1 + 0.4p + 0.6q)(1 + r) = 1 \quad (4)$$

$$(1 + 2.0p + 2.0q)(1 + r) = 12p \quad (5)$$

$$(1 + 6.0p + 7.5q)(1 + r) = 15q \quad (6)$$

Solving the equations (4), (5) and (6) r = 0.5, p = 1.5 and q = 4 are obtained.[9] Assuming all wages are consumed and all surpluses are invested, the growth rate of output in the economy per unit of time is given by r (= 0.5). The proportion of investments flowing to wage goods sector and capital goods sector I and II are respectively x, y and z where

$$x + y + z = 1 \quad (7)$$

The conditions for allocative efficiency (without excess capacity or shortage) of resources in the three sectors of the economy are the following:

$$6x/(x + y + v) = 1.5 \quad (8)$$
$$12y/(0.4x + 2y + 6v) = 1.5 \quad (9)$$
$$15v/(0.6x + 2y + 7.5v) = 1.5 \quad (10)$$

Solving for the values we get $x = 0.25$, $y = 0.38$ and $v = 0.37$. This implies that in Mahalanobis terminology the percentage of investment flowing in the capital goods sector is 75 where the output capital ratio in that sector is 0.56. The output capital ratio in the economy happens to be 0.577 and the ratio of investment to net income (which is same as ratio of saving to net income = s) is 0.8658. The labour capital ratio will be 0.05 in this case. It seems that given the wage rate (which here also implies given the saving rate), planning option in this case is limited to allocation of resources. This allocation, in theory, is done by the market forces in a capitalist economy. It is needless to emphasise that a's, b's and k's in the equations (1) to (3) may have more than one value representing different technologies for the production of particular commodities.[10] However given the wage rate ($w = 1$ in this case) the technologies in each line of production are relevant which are consistent with the maximum value of r.

TABLE 1

Item (1)	Choice 1 (2)	Choice 2 (3)
1 Output capital ratio	0.5824	0.7257
2 Percentage of saving to net income	34.34	27.57
3 Percentage rate of growth of output per unit of time	20.00	20.00
4 Percentage share of luxury goods in total consumption	82.76	59.93
5 Percentage share of wage goods in total value of inputs	5.21	14.93
6 Percentage share of capital goods of sector I in total capital goods	23.08	26.56
7 Output labour ratio*	10.60	4.13

Note * This ratio is measured in terms of wage goods. The lower value of labour productivity in choice 2 than in choice 1 is due to the fact that output mix in the economy moved in favour of labour intensive good and the prices (measured in terms of wage goods) of all goods other than the wage goods have fallen.

Let us now introduce in the economy another consumption goods sector which has the following cost price equation

$$(m_1w + m_2p + m_3q + m_4n)(1 + r) = Mn \quad (11)$$

where M is its output, n is the price of the output and all m's have positive values (such that $m_1 > 0$).

It will be seen that r is determined by the three equations (1) to (3) consequent upon the values of a's, b's and k's. However changes in the values of m's only change the value of n. It is therefore termed as non basic goods sector or luxury goods sector. Let us take a numerical example which is given below

$$(1 + 2p + 3q)(1 + r) = 12n \quad (12)$$

Solving the equations (4), (5), (6) and (12) we get $r = 0.5$, $p = 1.5$, $q = 4$ and $n = 2$. The conditions for the allocative efficiency of resources is now given by the following four equations

$$x + y + v + z = 1 \quad (13)$$
$$6x/(x + y + v + z) = (1 + g) \quad (14)$$
$$12y/(0.4x + 2y + 6v + 2z) = (1 + g) \quad (15)$$
$$15v/(0.6x + 2y + 7.5v + 3z) = (1 + g) \quad (16)$$

where g is the rate of growth of production per unit of time. There are 5 unknowns and 4 equations. Therefore determining the values of any one of the unknowns gives us the value of other four. For example, if a policy decision is taken that production in the economy should grow, say, at 20 per cent per unit of time (i.e, $g = 0.2$), the flow of resources to different sectors, the output-capital ratio, the saving income ratio, etc, get determined (column 2, Table 2).

The other important aspect in the context of investment planning is related to the choice of technology (i.e. choice of technique) of production in different sectors of production. To illustrate this, let us take an example of another technology for the wage goods sector as follows

$$(3 + 1.03715p + 0.025q)(1 + r) = 6 \quad (17)$$

Solving for values using equations (17), (5), (6) and (12) we get $r = 0.4680$, $p = 0.9868$, $q = 2.5464$ and $m = 1.2983$. We term this as choice 2 as against choice 1 which is represented by equations (4), (5), (6) and (12). It will be seen that even though choice 2 shows lower rate of profit and lower rate of saving than choice 1, it represents a higher capital output ratio and is more labour absorptive for the same rate of growth of production (column 3, Table 1). While in a non planned capitalist economy choice 1 will prevail, choice 2 is the clear option in the context of investment planning in a labour surplus economy. There may not be much scope in terms of reduction of wages in the Indian context because of wage efficiency constraint[11] but there is a clear choice in favour of labour intensive technique in the context of investment planning in case of labour surplus economies such as India.

Let us now add the wage goods subsistence sector in the model which is defined by equation (18)

$$1000 + 0.00001p + 0.00000Iq = 1000 \quad (18)$$

The actual labour output ratio however may be less than one in the subsistence wage goods sector because of the possibility that workers engaged in that sector may be earning less than the wage rate.

Let us take for example that initially the output of subsistence wage goods sector remains twice as large as the organised wage goods sector under choice 1 of investment planning.[12] Then by adopting choice 2 as the strategy the share of subsistence sector gets reduced from about 66.67 to 36.91 per cent initially (a decline of about 44.64 per cent) in our numerical example. In case the labour supply increases by 10 per cent per unit of time and the organised sector grows by 20 per cent per unit of time as per the conditions specified in Table 1, the rate of reduction in the size of the subsistence sector will be higher in case choice 2 is adopted as the strategy of investment planning rather than choice 1 even though choice 1 offers higher rate of profit than choice 2 (Table 2).

TABLE 2

Item (1)	Choice 1 (2)	Choice 2 (3)	Choice 3 (4)	Choice 4 (5)
1 Rate of profit in the organised sector	0.50	0.468	0.468	0.468
2 Percentage rate of saving with respect to non wage income	40.00	42.74	42.74	40.00
3 Percentage rate of growth of output in the organised sector per unit of time	20.00	20.00	20.00	18.72
4 Percentage rate of growth of output in the economy (organised plus subsistence sector)	17.23	16.07	16.96	16.12
5 Percentage of labourers employed in the subsistence sector to total employment initially	66.67	36.91	13.81	13.68
6 Rate of decline per unit of time in the share of labourers employed in the subsistence sector to the total employment	4.55	15.54	56.75	50.02
7 Percentage of resources flowing into the				
(i) wage goods sector	20.00	33.33	33.33	32.74
(ii) capital goods sector I	28.00	25.56	19.26	18.90
(iii) capital-goods sector II	28.00	21.91	14.46	14.18
(iv) luxury-goods sector	24.00	19.20	32.95	34.18

Note Assuming that the marginal product of labour in the subsistence wage good sector is negligible this will approximate 16.31.

CHOICE OF TECHNIQUE

Sen's theoretical formulation that the choice of technique which maximises profit also maximises rate of growth of produc-

tion (and, therefore, rate of growth of employment) implicitly assumes that rate of savings with respect to non-wage income (i e, profits) which, though is a policy variable, is not a function of labour capital ratio and therefore, not a function of rate of profit [13] In our illustration, however, the rate of savings with respect to non wage income are 0 40 and 0 42735 for choice 1 and choice 2 respectively However from the point of view of both welfare criteria and social justice an increase in rate of consumption associated with a reduction of luxury goods consumption is to be always preferred to a reduction in the rate of consumption associated with increase of luxury goods consumption However, our illustration also indicates that the decline of rate of profit consequent upon the increase in labour capital ratio (associated with a decline in the subsistence sector in the economy) is also associated with a fall in the price of luxury goods and a fall in the value of consumption of luxury goods too The decline in the price is likely to be more than the decline in the rate of consumption with respect to non-wage income Therefore adoption of choice 2 as a strategy of investment planning instead of choice 1 may not always indicate a fall in luxury consumption in real terms Moreover in a surplus labour situation, a fraction (may be even small) of non wage income is spent to support the destitute, unemployed and disguised unemployed in the subsistence sector of the economy [14] Therefore the rate of saving with respect to non wage income is likely to go up with the reduction in dependence of workers in the subsistence sector of the economy

However, in a capitalist economy even with a planning process for the management of the economy under state patronage, the economic interest of the ruling class will determine the floor level for the rate of saving with respect to non wage income There is a policy option here as well As an increase in the labour intensity in the luxury goods sector will leave the rate of profit intact [15] the rate of growth of output in the organised sector can be maintained at the same level by keeping the rate of saving with respect to non wage income invariant But as the initial labour absorptive capacity of the organised sector increases, both the rate of growth of the economy and the rate of decline of the size of the subsistence sector per unit of time will register an increase as will be evident from the following numerical example associated with the increase in labour intensity in the luxury-goods sector

$$(1 + p + q)(1 + r) = 9n \qquad (19)$$

If the choice of the organised sector is made in terms of equation (5), (6), (17) and (19) of our illustration (which is termed as choice 3) the rates of profit, savings with respect to non wage income and growth of output in the organised sector remain the same as in choice 2, but the labour asborptive capacity of the economy in the organised sector and the growth of output in the economy as a whole improve (Table 2, columns 3 and 4)

There is yet another situation where the

TABLE 4 CORRELATION MATRIX

	X1	X2	X3	X4	X5
X1	1 00	0 74	0 47	0 48	0 52
X2	0 74	1 00	0 82	0 77	0 81
X3	0 47	0 82	1 00	0 76	0 84
X4	0 48	0 77	0 76	1 00	0 87
X5	0 52	0 81	0 84	0 87	1 00

d f - 24

where X1 log Y1 X2 log Y2 X3 log Y3 X4 log Y4 X5 = log Y5 Y1 is person days per hectare Y2 is agricultural production per hectare, Y3 is percentage of net irrigated area Y4 is fertiliser per hectare and Y5 is percentage of area under HYV

X1 4 61 + 0 827Z3 + 0 706Z4 + 1 287Z5 R^2 0 28 d f=22
(78 1) (2 591) (2 643) (2 859)

X2 7 16 + 2 063Z3 + 1 616Z4 + 2 875Z5 R^2 -0 73 d f- 22
(140 2) (7 469) (6 987) (7 379)

where Z3 residuals of the regression of X3 on X4 and X5
Z4 residuals of the regression of X4 on X3 and X5
Z5 residuals of the regression of X5 on X3 and X4

Note t values are given in parenthesis all of them are significant at less than 1 per cent level

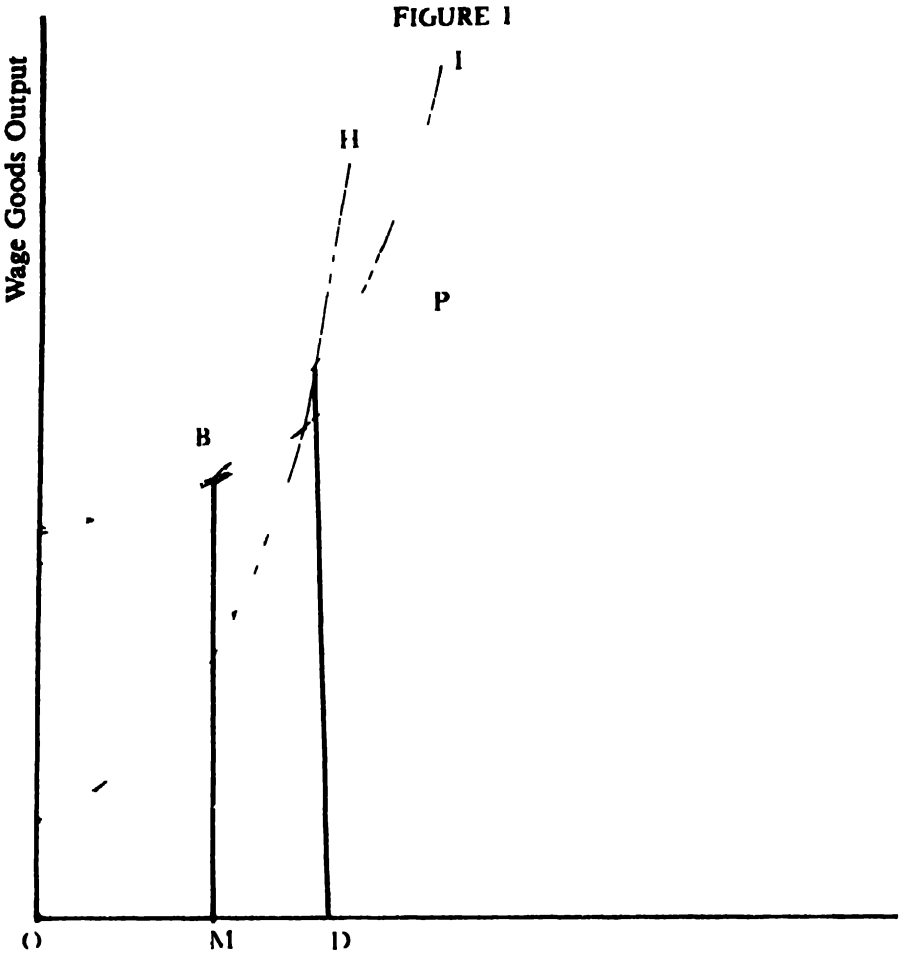
TABLE 5

States	Triennium ending 1973 74					Triennium ending 1983 84				
	Agriculture Production (at 1970 71 Prices) per Hectare in Rs	Person days Employed per Hectare	Percentage of Net Irrigated Area	Fertiliser Consumption per Hectare* in Kg	Percentage of Area under HYV to Net Area Sown	Agriculture Production (at 1970-71 Prices) per Hectare* in Rs	Person days Employed per Hectare	Percentage of Net Irrigated Area	Fertiliser Consumption per Hectare* in Kg	Percentage of Area under HYV to Net Area Sown
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Andhra Pradesh	1248	96 50	27 17	247	13 67	1663	130 91	32 84	678	36 58
Bihar	1526	119 89	28 26	137	26 36	1700	134 55	33 04	296	51 25
Gujarat	889	66 63	15 46	173	13 40	1320	93 88	22 65	446	23 10
Haryana	1453	77 07	46 15	256	35 68	1996	84 94	62 58	847	68 18
Karnataka	933	76 67	12 27	169	7 05	1156	90 35	14 50	406	20 03
Madhya Pradesh	601	73 03	9 03	68	6 48	712	68 09	13 75	139	19 54
Maharashtra	585	74 98	8 12	125	8 25	918	94 60	10 59	305	26 77
Orissa	1096	124 25	16 62	94	6 44	1493	162 76	23 42	148	28 48
Punjab	2110	101 87	73 09	749	55 52	3083	107 24	83 71	137	104 52
Rajasthan	523	51 52	14 80	44	5 67	805	58 89	19 76	108	15 69
Tamil Nadu	1557	139 10	44 12	500	42 72	1394	147 48	45 01	929	41 82
Uttar Pradesh	1325	119 13	41 64	236	22 88	1855	123 88	56 59	878	53 39
West Bengal	2269	140 46	25 51	180	18 31	3031	191 36	32 20	540	40 82

Note * Net Area Sown

Source Bhalla, Sheila, 'The Family Farm in a Transitional Economy (mimeographed) Table 7 p 10 and data obtained from publications of Central Statistical Organisation (Government of India)

FIGURE 1



rate of saving with respect to non wage income is not allowed to be increased at all (in our illustration it remains at 0.4 both for choice 1 and choice 4 given in Table 2) such that the rates of growth of output of the organised sector and of the economy register a decline consequent upon decline in rate of profit as a result of movement of the economy towards increased labour intensity in wage goods and luxury goods sectors. Even then the rate of decline in the size of subsistence sector will increase.

In this context it can be seen with the help of a simple diagram (see the figure) where curves H and L show the flow of the output of the wage goods of the organised sector and curve P defines the increase in labour supply over time.[16] Curve H represents capital intensive technique with lower immediate output and a higher rate of growth of output than what is obtained by labour intensive technique represented by curve L. The rationale related to choice of technique would be the one represented by curve L up to period OM and thereafter ever increasing capital intensive techniques. Even if the curve P cuts the H and L curves at a point right of B the technique to be preferred initially (up to period OD) is the one represented by curve L and thereafter the one represented by curve H.

It should be noted that planning for overall economic development envisages rapid eradication of surplus labour situation. Therefore till the surplus labour situation continues the technique of production in the organised sector by and large has to be labour intensive and capital output ratio almost constant. Only after the surplus labour situation comes to an end the wage rate would be registering a continuous increase and so also the capital intensity in the economy. The phenomenon then will be characterised by falling rates of profit and growth of production. This will continue till production growth becomes equal to the rate of growth of labour supply (that is almost equal to rate of growth of population). In theory thus there is no conflict between short period and long period employment objectives.

Though the assumed magnitude of the input coefficients in the numerical examples may not conform to facts in the Indian economy, the five sector model was meant to capture some important aspects of the Indian economy relevant to an evaluation of its investment planning strategy. In this model with some alternative technological choice, we could examine the implication of different planning strategies in terms of their impact not only on growth, but on such other important variables as employment, savings rates, flow of resources to different sectors of the economy, etc. The wage goods sector is dominated by agriculture, whereas the capital goods sectors I and II are dominated by traditional and modern capital goods sectors respectively. Modern capital goods sector can be said to include mainly petrochemical and electronic industries which are not only late comers in the Indian scenario but have a high import content whereas the main base of traditional capital goods are minerals produced in this country such as iron ore, coal, clay, limestone etc.

CHOICES IN AGRICULTURE

In the context of increase in agricultural production therefore one can think either of an expansion of irrigation or increase in fertiliser use or increase in area under HYV cultivation. One can also think of mixing these three technologies in different proportions. It is worth noting that capital which is needed for irrigation is of a traditional variety where coal, iron and cement are the major inputs. On the other hand fertiliser belongs to the petrochemical set. Although HYV has been successfully used with irrigation and fertiliser it is generally more susceptible to pests than the non HYV cultivation and therefore pesticide (a petrochemical product with high import content) has to be associated with it. Let us now examine the impact of these on employment and production using the state wise data for triennium ending 1973-74 and 1983-84 given in Table 3. The multivariate analysis was done by pooling together time series and cross section data which gave us a total of 26 observations. The result of the analysis given in Table 4 clearly indicates that elasticities of production and employment are higher in case of irrigation than in case of fertiliser use. There are other empirical evidences which are indicative of high labour absorptive capacity of irrigation.[17]

In view of these evidences and analysis it can be argued that had we adopted a strategy of expansion of irrigation (shedding away our obsession regarding industrial development) in a big way right in the beginning of planning and allowed the percolation of fertiliser use and HYV cultivation in a normal way through the operation of market forces (instead of being pushed in the agricultural sector through subsidies and extension services) we would have by now achieved greater reduction in disguised unemployment, underemployment and regional economic disparity than what have been achieved on account of the adopted strategy related to choice of technology in agricultural sector.[18] The irrigation expansion strategy would have meant a higher flow of resources in the traditional capital goods sector and lower in the modern capital goods sector than what have been the case during the past about four decades of planning. A relatively higher expansion of traditional capital-goods sector where we had adequate experience and expertise would also have not only eased our foreign exchange problem but would have made our capital-goods sector, as a whole, more competitive and efficient than what is the situation today. Much of

goods sector is due to our inexperience in the field where the high rate of expansion has virtually prevented the process of 'learning by doing' and internalisation of the technology. This is partly reflected in an almost continuous increase in incremental capital output ratio (ICOR) since the early fifties.[19] The sharp increase in ICOR should have appeared in the Indian scenario but only after the subsistence sector would have been wiped out. What, however, lamentable is that these issues in the context of Indian investment planning were never ever adequately and scientifically examined by the professional bodies created to aid and advise the government on issues related to development planning in India.[20]

LEGACY OF COLONIAL DYNAMICS

The other neglected aspect in the context of investment planning in India was helplessness to devise a strategy to counterbalance the market forces making for increasing uneven regional growth in the economy (a legacy inherited as a consequence of colonial dynamics). Failure on this count is writ large on the face of the Indian economy even after about 40 years of planning.[21] There is yet another important lapse which negated the positive aspects of investment planning in India. This relates to complete failure to grapple with the problems created by the relation of production in the context of the development of the Indian economy in general and the rural economy in particular.

All these lapses had made a mockery of planning in India. The ever increasing inequality, uneven regional growth and unemployment (including disguised unemployment and underemployment) and vast area of the economy sinking deeper and deeper into the quagmire of non-development associated with feudal ethos and identities are the important causes of increasing organised violence in India.[22] The employment elasticity with respect to output has been declining over time and according to one estimate[24] it has now touched as low a level as 0.23. Thus even with much applauded 6 per cent rate of growth of output in the economy (possibly more in the organised sector) employment growth in the organised sector (taken as a whole) would hardly be more than 1.5 per cent per annum during the Eighth Plan period. This clearly indicates that there is likely to be no dent in the increasing size of the subsistence sector in the foreseeable future in our country. In the backdrop of such and other evidences of the deepening of economic crisis, the planning exercise (for the Eighth Plan) showing a naive unawareness about the above mentioned theoretical and empirical aspects of development planning (which has remained neglected for too long) is indicative of professional bankruptcy in planning and a very pedestrian approach to development in India.[25]

Notes

[I am indebted to P P Ghosh, N Mohsin and B K Mishra for their helpful comments.]

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8. The criterion is whether a commodity enters (no matter whether directly or indirectly) into the production of all commodities. Those that do we shall call *basic* and those that do not *non basic*. products. Sraffa, Piero [1960] *Production of Commodities by Means of Commodities*, p 8.
9. The two other values of r are 29 and 6.5 but these were not consistent with positive values of price p and q.
10. In Marshallian model changes in these values represent changes in technique of production.
11. Prasad, Pradhan H: The Phenomenon of Disguised Unemployment, *The Indian Economic Journal*, July-September 1966; *Growth with Full Employment* (1970), ch V.
12. For the sake of comparison among different choices, the initial value of inputs (at constant prices) is kept same in each cases. For example if initial cost of inputs is 100 wage goods units for choice 2, the cost of inputs for choice 1 is assumed to be 151.47 units.
13. Sen, Amartya Kumar [1960] *Choice of Techniques*, second edition, p 24.
14. Leibenstein, H [1957] *Economic Backwardness and Economic Growth*, ch VI.
15. Prasad, Pradhan H: Growth and Employment, *Indian Economic Journal*, July-September 1967, pp 107-10.
16. See Sen, Amartya Kumar, op cit, an almost similar diagram at p 32. In our figure the distance between curves P and I denotes the output of subsistence sector if labour intensive technique is adopted and distance between curves P and H denotes the output of subsistence sector if capital intensive technique is the choice.
17. This suggests that planning for *healthy* employment expansion in agriculture the greatest emphasis has got to be placed on double cropping. Such increases in GCA can only be achieved by accelerated investment in irrigation in particular." Bhalla, Sheila: Employment in Indian Agriculture: Retrospect and Prospect', paper submitted in seminar on *Nation Building, Development Process and Communication: A Search of India's Renaissance*, New Delhi (December 3-7, 1988), p 15. See also Prasad, Pradhan H, 'Employment and Technological Change' *The Indian Journal of Labour Economics*, January 1989, pp 292-301.
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23. See Prasad, Pradhan H: Agrarian Violence in Bihar, *Economic and Political Weekly*, May 30, 1987; India after Four Decades of Independence, *Economic and Political Weekly*, April 2-9, 1988.
24. Bhalla, Sheila, op cit, Appendix 1, see also Table 6, p 7.
25. See Planning Commission, Government of India [1989] *Perspective and Issues and Implications of Alternative Growth Rates for Eighth Plan*.

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NOTICE

It is hereby notified for the information of the public that **ICI India Limited** proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under sub section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the establishment of a new unit Brief particulars of the proposal are as under

1 Name and address of the Applicant	**ICI India Limited** 34 Chowringhee Road Calcutta 700 071
2 Capital structure of the applicant organisation	As on 31 3 89 — Equity (Rs 000) Authorised Capital — 41 69 00 Issued Subscribed & Paid up Capital — 40 87 06
3 Management structure of the applicant organisation Indicating the names of the Directors Including Managing Wholetime Directors and Managers if any	The Company is managed by a Board of Directors with a Managing Director and two Wholetime Directors

Names of Directors

a) Mr J Sengupta	(Chairman)	g) Mr A M M Arunachalam
b) Mr P E G Daubeney	(Managing Director)	h) Mr A Hydari
c) Mr V K Bahree	(Wholetime Director)	i) Dr K U Mada
d) Dr J M Charlton	(Wholetime Director)	j) Mr R K Sinha
e) Mr K D Elmy		k) Mr S K Srivastava
f) Mr M V S Rama Rao		

4 Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division	The Company at its existing Industrial Explosives Factory at Gomia Bihar manufactures Concentrated Nitric Acid (CNA) for captive consumption The proposal for which the Central Government s permission is being sought relates to the sale of upto 2000 tonnes per annum of CNA out of such manufacture which may be deemed to be establishment of a new unit/undertaking
5 Location of the new undertaking unit division	Gomia Dist Giridih Bihar
6 Capital structure of the proposed undertaking	Not applicable
7 In case the proposal relates to the production storage supply distribution marketing or control of any goods articles indicate	
a) Name of goods/articles	Concentrated Nitric Acid
b) Proposed licensed capacity	Please see item 4 above
c) Estimated annual turnover	Rs 125 lacs (Approx)
8 In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc	Not applicable
9 Cost of the project	Existing Unit
10 Scheme of finance indicating the amounts to be raised from each source	Not applicable

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

For **ICI India Limited**
Sd/
(R N SARKAR)
Secretary and Constituted
Attorney

Dated This 7th day of July 1989

Eat Now Pay Later

Impact of Rice Subsidy Scheme

Wendy K Olsen

The Andhra Pradesh rice subsidy scheme was mainly intended to be a visible, if small, gesture of generosity on the part of the ruling party in the state This article examines the scheme in depth and shows how much of the cost has in fact been borne through growth in the state government's net indebtedness

THE official brochure on the Andhra Pradesh rice subsidy scheme claims that this is the most laudable scheme launched for eradicating hunger deprivation and want from the poorest of the poorer sections of society [1] A close look at the origin and nature of the scheme suggests that this claim exaggerates the scheme's effect on the poor Besides providing a subsidy worth between Rs 9 and Rs 27 per household per month to recipient families (the lower figure applying to the poorest) the scheme has important indirect and long term effects such as the crowding out of productive investment Although ration card holders got a boost to their purchasing power when the scheme started five years ago the same group must ultimately if indirectly bear most of the costs of the scheme

The origins of the scheme described in the first section below reveal that it met other purposes besides the stated one of eradicating poverty The second section explains the nature and scale of the ration scheme emphasising that it is not as progressive (i e targeted) as its proponents claim The benefits accruing to the poorest and less poor households to ration shop dealers and to rice millers are estimated in section three In section four I have also tried to quantify the total cost of the scheme compare it to alternative expenditures, and show that much of the cost has in fact been borne through growth in the state government's net indebtedness Finally some indirect effects particularly on rice consumers in neighbouring states are discussed in the last section

WIDESPREAD SUBSIDY

The story of the scheme's origin reveals that the rice subsidy's main purpose was never just to help the poor Instead its main intention was to be a visible, if small gesture of generosity on the part of the ruling party in the state. That token gesture would, party leaders hoped, ensure enough votes for continued power of the state over the voters The state government's legitimacy is then enhanced by its electoral popularity

Both Congress(I) and the Telugu Desam Party (TDP) thought to use this ploy [2] Even in late 1982 the Congress(I), still holding the majority in the state legislature, considered introducing a state-wide rice subsidy They initially claimed that such a scheme would not be feasible. But then the state Congress(I) government itself introduced a rice subsidy scheme with urban sales of 50 kg per household at three prices (common variety Rs 1 90 per kg and fine varieties at a premium of 20 or 25 paise per kg) just at the end of 1982 before the elections Hence ever since the present scheme's introduction in early 1983 both parties have claimed credit for initiating it

TDP's election manifesto stated that Telugu Desam will strengthen the public distribution system and will see that the essential commodities are made available to the people at very reasonable rates It is the firm resolve of Telugu Desam to ensure sale of a kilogram of rice for rupees two After winning power in 1983 TDP implemented the subsidy as promised The new state government extended the subsidy to village people as well as urban residents

One of the reasons for the scheme's popularity is that ration cards as well as shops actually have reached the most remote people of Andhra Pradesh - unlike many development schemes which, one way or another have concentrated on central places In addition within each village virtually every eligible household has a ration card whereas many people who are eligible' (strictly speaking) for subsidised sarees dhotis for old age pensions, and for housing subsidies have not received these benefits [3] The ration shops have reliably supplied rice to cardholders, with the leakage and corruption problems faced by civil supplies in other states kept to a minimum by the high visibility and local nature of the fair price shops As Table 1 shows, AP has far more ration shops per person than its neighbouring states (one shop for every 1,600 people)

How was this populist' subsidy scheme born? Harriss found that "the public distribution system of grain tends to operate in south India according to a perverse and short term logic [4] Her studies of Tamil Nadu's experience suggest that the state procures *more* and distributes *less* grain during drought periods [5] Andhra Pradesh's reaction to the 1973 drought perhaps fit this paradox model,[6] but recent events do not The doubling of the rice procurement in AP in 1982 83 came at a time of successive record crops and distribution kept increasing over the drought years 1984 87 (see Tables 2 and 3) The mechanism here is not simply a reflex on the state's part to help consumers at the expense of producers whenever there is a drought Instead drought, growth in agricultural output and electoral politics interact with historical and local factors to determine the food policy at state level—which does nevertheless result in some perverse and illogical results

In the case of AP both the Congress(I) and TDP were prepared to promise some handouts to the poor in 1983 (The Left alternative in AP, the CPI(M), has been forced to go along with TDP policies by its ongoing electoral alliance with TDP involving seat allocations and mutual support) N T Rama Rao and TDP boldly promised a bigger subsidy than Congress(I) had ever provided and they won the 1983 election When TDP's leading position in the state assembly was questioned in 1985, their strategy of combining Telugu nationalism with the extensive food subsidy paid off in a solid electoral victory The Congress(I) has since been silenced from criticising the Rs 2/kg scheme because if it does, TDP will use this to their advantage by accusing the state Congress(I) of wanting to impose central government anti AP policies on the Telugu people

Hence a costly subsidy scheme has become entrenched in the state's budget (at the expense of other possibilities, as will be

TABLE 1 SCALE OF GRAIN DISTRIBUTION IN FOUR STATES 1980 AND 1985

State	Total Rice and Wheat Distributed (000 tonnes)		Persons Per Shop in	Per Capita Distribution (kg)	
	1980	1985	1985	1980	1985
Andhra Pradesh	548	1353	1 600	10 3	23 3
Andhra Pradesh (including APSCSC)	548	2200	1 600	10 3	37 9
Karnataka	574	954	2,500	15 9	23 9
Madhya Pradesh	1102	393	2 500	21 2	7 0
Tamil Nadu	659	2145	3 000	13 7	42 0

Source Bulletin of Food Statistics 1985 except line two which is adjusted for APSCSC purchases above FCI procurement

seen below) The scheme is used as ongoing propaganda for TDP Several colourful pamphlets advertising the scheme each with chief minister N T Rama Rao s photo on the front, are available free from the AP State Public Relations Office The scheme is nicknamed Anna Varam in these pamphlets, a pun meaning both big brother s gift' and rice gift with the word varam (gift) having a religious connotation (Brown s Telugu English dictionary defines 'varam as a boon or blessing sought in prayer a divine gift)

TDP s populism and regionalism are also a convenient way of legitimising a regime which in many ways represses the very people - the poorest of the poor whom it claims to represent Legislation exists which would enable these people to reach higher standard of living through their own efforts the minimum wage and land ceiling laws But the minimum wage laws are openly flouted especially in agriculture where the poorest workers receive the lowest possible wages The land ceiling act though an effective deterrent to land accumulation by rich individuals is also bypassed as rich farmers allocate land to various relations (on paper) but actually till holdings far over the limit TDP has done nothing toward implementing these basic progressive laws

Instead the ruling party administer and protects the system which thrives on the existence of unemployed and underemployed workers who must accept low wages or starve TDP brutally suppresses the efforts of workers to organise for land reform and higher wages A case in point is the way TDP has given the police free rein to attack supposed naxalites whenever they suspect that villagers are organising against landlords At present the state can accuse anyone of being a terrorist and have him or her killed in an encounter or even killed in jail regardless of whether the person has broken any law In the tribal areas where many agitators for land reform work TDP are now proposing that the laws against land purchases by non tribals be abolished In the biggest strike since TDP came to power NTR personally ordered the jailing of the leaders of the state government non gazetted officers unions at the end of 1986 The solid strike of 6 00 000 NGOs ended when the union leaders no doubt under threat of re arrest accepted a plan that left most members worse off

These anti people actions can only be reconciled with TDP s populist rhetoric if we recognise that the party stays in power by balancing the two aspects of its regime the growing welfare state which substitutes for economic growth and the authoritarian regime which silences all genuine opposition Such an authoritarian bourgeois state could only retain power and popularity in the absence of a viable Left alternative And indeed, the CPI(M) which could have been offering an alternative programme (eg, starting with a demand for "jobs for all, not charity for all", as one activist suggested) has been silenced by its electoral pact with TDP The CPI(ML), which is also popular among radicalised youth, is ruining its chances by engaging in terrorist tactics and indulging in revenge murders Given a choice in elections among various bourgeois parties, each representing one section of the ruling class it is not surprising that the voters of AP prefer the one which at least offers some concrete immediate benefits Most voters have no expectation (as yet) of any more fundamental change in society

Initial proposals for a rice subsidy scheme were heavily targeted so that a small amount of subsidised rice (10 [illegible] would go to the poor families with incomes below Rs 3,600 per year Such a scheme would have affected some 8 million households out of AP s (then) 11 4 million households In 1983 the result would have been about 1 million metric tonnes (mmt) of rice distributed over both rural and urban areas at a cost of some Rs 72 crore (Table 4)

On taking power however NT Rama Rao with a calculated benevolence announced that households with incomes up to Rs 6 000 per year could be eligible for the scheme

TABLE 2 AP FOODGRAIN PRODUCTION IN RECENT YEARS

(000 tonnes)

	1981 82 to 1985 86 Average	1981 82	1982 83	1983 84	1984 85	1985 86	1986 87
Rice	7 0	868	672	8799	6909	7613	6786
Other foodgrains	3113	3549	3505	3083	2706	2760	2515
Total	10 583	11 417	11 17	11 882	9 615	10 373	9 301

Source [illegible] (see footnote 10)

TABLE 3 [illegible] PROCUREMENT [illegible]

(000 tonnes)

Year	FCI PROC in AP	APSCSC Purchases	Total Procurement	Rice Distributed
19 4	3	nil	42	319
[illegible]	1081		1081	
[illegible]	481		481	19
[illegible]	4 0		480	153
[illegible]	1		516	54
[illegible]	4 6		486	203
[illegible]	606		606	261
1981 8	1079		1079	370
1982 83	1676	328	2004	1368
1983 84	1484	987	2471	1831
1984 8	1	962	2788	1893
1985 86	1 73	897	2470	2149
1986 8	1464	934	2399	2206

Source Andhra Pradesh Civil Supplies Department Hyderabad November to October years

TABLE 4 DETERMINANTS OF RICE SUBSIDY SCHEME COST (Various Options)

	Eligibility		Quantity		Subsidy		Result
	Income Limit (Rs hh)	No Green Cards (m)	Ration Size (kg hh mo)	Total Issues (mmt Year)	Issue Price (Rs kg)	Subsidy Per kg (Rs)	Annual Cost (Rs crore)
1983 84 limited scheme	3 600	8	10	0 96	2 00	75	72
1983 84 actual scheme (approx)	6 000	11	20	2 64	2 00	75	198
1986 87 estimates for limited schemes							
(a) cut subsidy size*	6 000	11	20	2 64	2 50	75	198
(b) *and* cut ration	6 000	11	10	1 32	2 50	75	99
(c) *and* cut eligibility	3 600	8	10	0 96	2 50	75	72
(d) targeted cut eligibility only	3 600	8	20	1 92	2 00	1 25	240
1986 87 actual scheme (approx)	6 000	11	20	2 64	2 00	1 25	330

Note Costs are borne by both centre and state Figures are illustrative not actual (see text) Subsidy size includes negative buy sell margin and costs per tonne of FCI and APSCSC operations

* E g line 3 shows that the costs of the scheme could stay the same if the issue price were raised over time

i e, for a green card In addition a ration of 5 kg per person up to a maximum of 25 kg per household replaced the initially rigid ration quantity of 10 kg/hh The scheme thus became both more extensive and more generous As a result the cost rose to about Rs 200 crore a year

The extension increased the scheme s impact most in rural areas where 80 per cent of households are eligible under the higher income limit (Table 5)

The hypothetical figures in Table 4 show the effect that policy changes regarding eligibility, ration quantity and subsidy have on the overall cost of the programme A targeted limited scheme would cost no more now than it did in 1983-84 But TDP has kept the issue price fixed at Rs 2/kg while rice prices have risen by some 6 7 per cent per year in line with inflation [10] The number of ration cards (both yellow and green) has consistently exceeded the number of households in AP (Table 6) reaching a peak in 1986 87 when the number of cards was reported at 13 9 million and the number of households was 12 2 million

It would be very difficult to reduce the income eligibility limit now after so many families have grown accustomed to having the rice subsidy Their food entitlement to use Sen s phrase increased with the introduction of this scheme and any new cut in their entitlement will no doubt generate strenuous objections

Perhaps the only politically feasible ways of reducing the scheme s cost at this point would be (i) to reduce the size of the subsidy by raising the issue price (e g to Rs 2 50 kg as suggested in line 3 of Table 4) and (ii) to reduce the ration allowed each household (see line 4 of Table 4) These measures would however produce a direct reduction in the 'poorest of the poor's' purchasing power over rice A third option would be to introduce a middle level of eligibility for households whose annual incomes are between Rs 3 600 and Rs 6 000 and reduce the rice subsidy available to this group

These options are mere speculation not practical political proposals Similarly the claim that it is possible to improve the aggregate welfare without involving additional expenditure on rice subsidy by mere transfer of a part of the ration presently enjoyed by the non poor to the poor [11] ignores the fact that the ruling class for its own reasons will not allow such a change Its electoral support comes from both the poorest and the non poor sections of society These non poor' include literate, often unionised urban workers as well as TDP s own class base of large farmers and small capitalists In terms of electoral strategy it is better for TDP to give small symbolic handouts to all these groups than to openly favour one over the other Hence the impossibility of targeting the scheme in a progressive way

Last year the state attempted to reduce the issue of rice on bogus and ghost ration cards At that point the number of ration cards exceeded the number of households in AP by nearly 15 per cent (Table 4) and it was suspected that many relatively rich families held both a rice card and a sugar card [12] In the first quarter of 1987 the old ration cards were replaced by mandatory photo ration cards The new cards are actually small books which have space for five years ration records and the household head s photo must be attached For many of the poorest families these cards are a constant reminder of TDP's rice gift Though city people may scoff this is often the first photo ever taken in poor families The photo ration books are seen as an advertisement of TDP s benevolence to people who are otherwise remote illiterate and hard to reach

Provision of the new cards was paid for by the state but the photos had to be paid for by the recipients The cost seems small (Rs 5 was paid in Chittoor district villages) and the village assistants organised photographers to spend a day in each central village However one photo per household adds up to a huge demand, and I suspect that the photo ration card scheme was encouraged if not proposed by the photo studio owners who stood to gain most from it

Through the issue of photo ration cards the number of rice ration cards was reduced from 10 4 m to 9 5 m, and the total number of cards fell by 10 per cent to a figure near though still above our best estimate of the number of households in the state [13] Though we may hope that now bogus cards and double cards have been eliminated the ironic secondary impact of photo ration cards will be to regressively target ration rice away from the poorest of the poor To replace a ration card or get a new one for newly formed or migrant households villagers will have to pay for transport to town photo shops as well as pay for fresh photos before a new ration card can be issued Yellow card holders can easily bear these costs but many green card holders can not With some 2 50 000 new households formed each year a gradual bias in the scheme away from remote poor and migrant families may develop

TABLE 5 AP RATION CARDS BY COLOUR AND LOCATION IN 1985

(Per cent)

Card Type	Urban	Rural	Total
Green (rice)	16	60	76
Yellow (sugar)	10	14	24
Total	26	74	100

Source Radhakrishna and Indrakant 1987 In 1985 there were a total of 13 3 million cards in existence

TABLE 6 NUMBER OF RATION CARDS IN ANDHRA PRADESH

(In millions)

Year	Green Cards	Yellow Cards	Total Cards	AP Population	No of Households
1982 83			12 562	54 8	11 1
1983 84	10 864	2 667	13 621	56 1	11 4
1984 85	9 648	3 130	12 778	57 5	11 7
1985 86	10 103	3 423	13 626	58 8	12 0
1986 87	10 432	3 469	13 901	60 2	12 2
1987 88	9 514	3 034	12 548	61 6	12 5

Note There were no green cards in 1982 83 Green cards came into being from April 13 1984 The 1987 88 figures reflect the number of photo ration cards issued during January April of 1988

* See footnote 13 for sources

Source AP Civil Supplies Department Hyderabad

DIFFERENTIAL SUBSIDIES

Ration rice is not an addition to the diet It is a fungible commodity bought cheap Hence it is best to think of the ration as a subsidy and measure its value in cash terms Its impact on diets and nutrition depends wholly on consumer choice at the margin (i e on income elasticities) The savings on rice can be spent on various foods including more rice oil sugar alcohol etc as well as on non food items such as medicine travel or clothing To measure the impact of the rice scheme on rice consumption and nutrition post 1983 studies of consumption patterns among green card holders can perhaps be compared with existing data on pre 1983 diets [14] In the meantime we can estimate the impact on purchasing power for all families even in the absence of full data on incomes and the income elasticity of demand for rice The size of the subsidy from the household s point of view depends on (a) how much grain they get (20 kg 25 kg etc) and (b) the relevant opportunity cost of rice i e what they would have spent on grain without the ration rice

Ration shop sales to green (rice) card holders average 18 kg per month per card That s 3 7 kg per capita per month using an average household size of 4 9 persons However household rice consumption ranges from 45 to 70 kg per month for an average family depending on class diet and ages of family members The ration is thus somewhere between 25 per cent and 40 per cent of recipients consumption, and is well over the national average [15]

The savings on the 18 kilos in 1986-87 was Rs 27 per month for those families that would have bought an equivalent quantity

THE STANDARD MILLS COMPANY LIMITED

NOTICE

IT is hereby notified for the information of the public that **The Standard Mills Company Limited** proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under Sub section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the establishment of a new undertaking unit/division Brief particulars of the proposal are as under

1	Name and address of the applicant	**The Standard Mills Company Limited** Mafatlal Centre Nariman Point Bombay 400 021
2	Capital structure of the applicant Organisation	Authorised Capital Rs 15 00 00 000 Issued & Subscribed Rs 11 05 55 300
3	Management structure of the applicant Organisation indicating the name of the Directors including Managing Whole time Directors and Manager if any	The Company is managed by the Whole time Directors subject to the superintendence control and direction of the Board of Directors of the Company consisting of 1 Shri Rasesh N Mafatlal Chairman 2 Shri V Ramadurai Whole time Director 3 Shri C C Maniar Whole time Director 4 Shri Russi Jal Taraporevala 5 Shri Harish Mahindra 6 Dr F A Mehta 7 Shri J P Thacker 8 Shri V C Vaidya 9 Shri Pradeep K Mafatlal 10 Shri M L Apte 11 Shri R C Shah 12 Shri A C Muthiah 13 Shri R S Peddar 14 Shri Deepak S Parekh
4	Indicate whether the proposal relates to the establishment of a new undertaking or a new unit division	The proposal relates to the establishment of a new undertaking
5	Location of the new undertaking unit division	Dewas (District Dewas) Madhya Pradesh
6	Capital structure of the proposed Undertaking	Same as per item No 2
	In case the proposal relates to the production storage supply distribution marketing or control of any goods articles indicate	
	Name of the goods articles	Proposed Licensed Capacity / Estimated Annual Turnover
	Non woven Structures	3000 mt per annum / R 3000 lacs
8	In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc	Not applicable
9	Cost of the Project	Rs 2340 lakhs
10	Scheme of finance indicating the amounts to be raised from each source	

	Rs in lacs
Term Loans/Debentures	1000 00
Internal Accruals	550 00
Foreign Exchange Loans (from Financial Institutions)	790 00
TOTAL	2340 00

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this Notice intimating his views on the proposal and indicating the nature of his interest therein

For **THE STANDARD MILLS COMPANY LIMITED**

Dated 10th July 1989

Registered Office
Mafatlal Centre Nariman Point
Bombay 400 021

B D DATAR
SECRETARY

of rice in the market if the subsidy were not available. The ration rice is decent coarse rice which cost Rs 3 50 per kg in the market over 1986 87 Rs 27 is the difference between the cost in the market (Rs 3 50 × 18 kg = Rs 63) and the cost in the ration shop (Rs 2 × 18 kg = Rs 36) The subsidy is thus Rs 6 75 per week or Rs 324 per year for such families

However this calculation applies only to those farmers landlords merchants and salaried families who buy good rice at the margin Coolies buy very cheap grains especially broken rice (nuukulu) at much lower prices than Rs 3 50 Their opportunity cost in 1986 87 was Rs 2 10/kg for brokens Rs 2 00/kg for ragi, Rs 1 90 for bajra etc They do also buy some whole coarse rice at Rs 3 50 kg so consider for them an average price of grains bought on the market of Rs 2 50 kg

Then the subsidy for worker families comes to only Rs 9 per month per household (Market price Rs 2 50 × 18 kg = Rs 45 minus ration shop cost Rs 2 × 18 kg = Rs 36 gives Rs 9) That is Rs 2 25 per week or Rs 108 per year By way of comparison for this amount these families could buy perhaps one cheap saree and one coarse lungi cloth

This is a substantial subsidy programme and the coverage is extremely widespread even in remote areas As a rough figure we can average the two opportunity cost calculations given above to say the ration rice is worth on average Rs 5 per week per household [16]

A similar figure was reported in a study of urban green card holders in Vijayawada The study found the value of the subsidy to be Rs 20 57 per month making the average benefit calculation on the basis of difference between the subsidised rice price and the private market rice price [17] The relevant open market rice price was taken as Rs 3 00/kg and the question of coarse grains or broken rice apparently did not arise in the town [18] That study noted a decrease in the subsidy value per household as per capita income rose Families earning Rs 50 100 per capita per month (the lowest income group) gained Rs 20 92/month while those with the highest per capita incomes gained Rs 10 to Rs 17/month from the scheme The negative association found between subsidy value (per hh) and per capita income is due to the fact that large households have relatively low per capita income but get a larger ration at least up to the 25 kg/hh limit The per capita subsidy value did not vary systematically with per capita income among the 145 households surveyed in Vijayawada (Figures broken down by household income are not available)

Apart from the differential in the value of the subsidy in opportunity cost terms the ration rice is also causing substitution away from coarse grains on the part of the rural poor In western Chittoor district *sangati* (cooked rice and ragi balls) is now made in a proportion of one ragi to four rice measures where is historically and even in the recent past it was made with one part ragi to one part rice Poor workers may as well take up the ration as buy the cheap nutritious coarse grains so that rice now takes up a larger proportion of their cereal consumption

Many large farmers landlords and merchants have green rice ration cards Data from a survey of over 5 000 people in western Chittoor district give an idea of the distribution of ration cards among classes in one rural area Table 7 shows that 25 per cent of landlords (defined as big landowners who oversee but do not physically do agricultural work) 44 per cent of merchants and 40 per cent of families with salaries such as peons teachers police etc had rice ration cards in 1986 In fact the landlord households had an overall ration card coverage (rice plus sugar cards) of 105 per cent In other words several families had two cards and freely admitted it

These families and the large farmers use the ration rice to supplement their own diets they can then afford even more fine rice and luxury foods such as ghee They use the ration rice to make rice flour, iddli and dosa which they eat for breakfast

Most of all the better off village families use the ration rice to feed the workers their lunch time meal Most *sangati* (in the area I lived at least) is cooked by landlords and farmers wives for coolies to eat It is they who are changing the composition of *sangati* such that ragi is becoming a mere flavouring or additive to the meal Thus while the workers are demanding more cash wages in order to buy their rice ration, the employers are giving more workday meals and they reduce the daily wage by about one rupee to compensate for the 'free food

Table 8 shows that in the survey area, 36 per cent of households had over five members but were eligible for only 25 kg per month For large households the impact of the ration goes down with household size as a higher proportion of grain must be purchased or consumed out of own production However nuclear families of four or five members are much more common among the coolies than among wealthier classes, as both our survey in Chittoor district and the official census have found [19] Hence joint farming families suffer most from the ceiling on ration supplies It remains to be seen (perhaps in 1991 Census) whether the scheme itself noticeably encourages splitting of families into nuclear households

So far we have seen the scheme's extensive effects on large numbers of people But the relatively small group of fair price shop dealers get a very concentrated subsidy' through the buy sell margin on ration rice This profit is intended to provide 'the potential for stable self employment for educated youth in their own or neighbouring villages This promises the emergence of a new small entrepreneurial class in the rural areas '[20]

With this ideal in mind there are official policies (and in some cases quotas) regarding preference for educated unemployed rural youth as well as for SCs, tribals

TABLE 8 DISTRIBUTION OF HOUSEHOLDS BY SIZE (ALL FAMILIES)

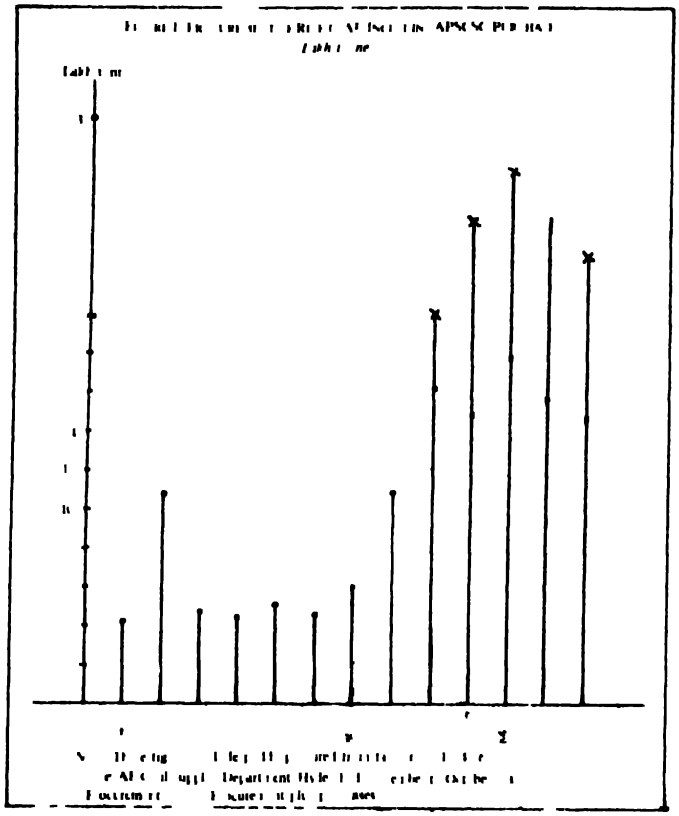
No in Households	Per Cent of Households	Size of Ration (kg/month)
1	3	5
2	10	10
3	13	15
4	19	20
5	19	25
6	14	25
7	9	25
8 plus	13	25

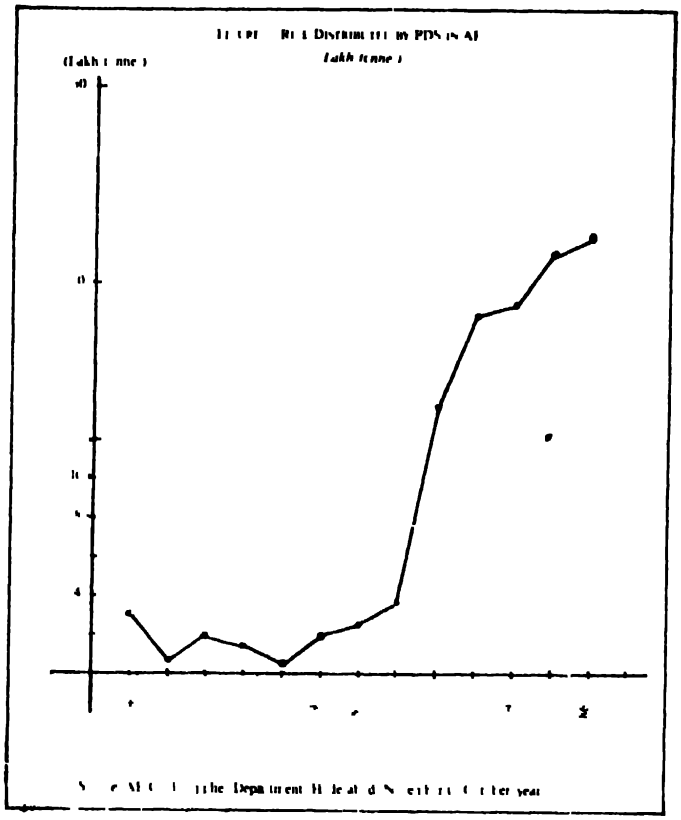
Note Weighted average ration size if all households had green cards would be 20 7 kg month

TABLE 7 RATION CARD COVERAGE BY CLASS (1986 Western Rural Chittoor District)

	No of Households in Class	Percentage Households in Class	Average Household Size	No of Rice Cards	Percentage with Ration Cards	No of Sugar Cards	Percentage with Sugar Cards	Average Cards Per Household
Landless coolies	258	23	4 0	225	85	3	1	88
Coolies with land	436	40	5 1	395	91	21	5	95
Farmers (Ryotulu)	130	12	5 7	66	51	61	47	98
Landlords (Bhuuswamulu)	63	5	4 9	16	25	50	79	1 05
Merchants	52	5	5 4	23	44	27	52	96
Artisans, etc	98	9	4 9	87	89	10	10	99
Salaried families	55	5	5 1	22	40	26	47	87
Total	1092	100	4 9	834	76	198	18	95

Source A complete census of the residents of one *gramam* containing 22 villages (hamlets) and six nearby villages carried out in late 1986





women and handicapped people. In practice the minorities are poorly represented among fair price shop dealers. Instead most rural dealers are either landlords or merchants to begin with. Of the present 35,688 ration shops, over 30,000 existed and had dealers in 1983 when TDP came to power, so that TDP's reservation policy for dealers has had only a marginal effect. (Among our 1,097 surveyed households three ration shops were operating: two held by merchants with their own separate shop next door and one by an absentee landlord who is assistant public prosecutor in a town 20 km away who paid a manager to handle the ration shop in his empty village house.) Many dealers are also staunch TDP supporters.

But would a small entrepreneur really deal in goods at fixed prices with fixed quantities available only when officially released by both central and state governments? Would grain entrepreneurs really thrive in a market where the government has also decided that there shall be no private stockist for rice. Accordingly, all private stockists for rice have been eliminated by 31.12.85.[2,1]

No entrepreneurs make their niche in free markets and thrive on making their own decisions. This is rather a type of state capitalism where trading profits (or in this case losses) are allocated by official policy—and where even without corruption some officials do very well for themselves. In the present case a few calculations suggest that rural dealers earn some Rs 4,400 per year per shop each and urban dealers Rs 8,200 each on the Rs 2 kg rice alone.[2]

This profit comes before the dealer sells off or uses the 50 plus second hand gunny bags he or she gets every month free along with the rice. The dealers also get margins on sugar, oil, kerosene, wheat and non-ration rice (which goes to yellow card holders). Many dealers also benefit from free market sales or exchange of any goods not taken up by card holders.

The AP government has estimated that on an average the net profit earned by a rural fair price shop dealer with 400 cards is around Rs 750 per month, while that of a fair price shop dealer in city areas with 600 cards is around Rs 1,950 per month, taking all the commodities into account.

The proceeds must then cover the costs of the operation: rent, labour, interest on debt and inventory, etc. But the rural dealers pay no transport costs on ration rice. It is delivered to their door. And the urban dealers get an extra Rs 4.19 per quintal to cover the cost of getting the rice from depots in the same town to their shops. Finally, there is nothing to stop the ration shop dealers' families having other jobs or businesses; most shops are closed most of the time anyway, waiting for the ration to be delivered.

The cost of the middlemen's commission is 39 crore per year or about 15 per cent of the Rs 300 crore spent by the state on this programme at present.[1] Another group which has gained indirectly from the policy is the rice millers. At first glance the procurement policy seems like a tax on millers, since they have to provide up to 75 per cent of their output at below market prices (Table 9). Millers make up for any loss in several ways, primarily by selling the remaining 25 per cent at a premium (often outside the state) and by paying farmers less for paddy in the first place.

The little evidence available on rice mills shows massive profits accruing to mill owners. Among 58 mills surveyed in three Telangana districts (unfortunately not a random sample across the state) only 29 per cent of the millers' gross margin went toward processing costs; the rest was profit. With processing costs (including parboiling over 50 per cent of the rice in the case of these particular mills) of only Rs 18 quintal these 58 mills earned another Rs 65 quintal on average in profit.[6]

On the basis of that survey Radhakrishna and Indrakant went on to assume in their model that millers keep their profit margin constant. In other words they pass the whole of the procurement tax on to their paddy suppliers. It is also possible that the millers absorb any windfall gains but are unwilling to let their profit margins fall (i.e. the margin is sticky downward). Public complaints by the millers' associations notwithstanding, millers' profits on the whole have not been threatened by the Rs 2 kg scheme or the procurement drives.

One certain effect of the intervention system is considerable rice price stability. Free market rice prices in AP at all levels (wholesale, retail, and in different districts) vary much less on a seasonal and irregular basis than the prices of other major crops. (I have computed seasonality and irregularity indices using Kahlon and Iyagi's method for ten crops in various centres using data

from *Agricultural Prices in India* The data support this claim, though of course the two and three season cropping pattern for rice also reduces paddy prices seasonality) Millers in particular, face an assured market at fixed prices for over half of their output—a position many other cash crop processors such as edible oil millers would envy

Who Pays the Price?

In a recent incident TDP admitted publicly that the scheme will cost the state government Rs 300 crore this year [28] On July 4 1988 the state let it be known that it would no longer sell rice to yellow card holders in the three cities at Rs 2 68 kg Then suddenly by that evening the decision was changed and instead a price rise to Rs 3 50 kg was laid on this section of recipients (i e urban households with incomes over Rs 6 000 year) Every newspaper and TV bulletin reassured the yellow card holders that they could still get ration rice but only at a price that covered APSCSC s costs The savings from cutting off this group s rice ration completely was admitted to be only Rs 12 2 crore (4 per cent of total spending on the rice subsidy) [29]

The ration scheme costs are high because it is extensive and heavily subsidised The costs are of two types First a negative buy sell margin of some Rs 68 per bag of rice (Rs 260 quintal APSCSC purchase price minus Rs 192 quintal paid to APSCSC by FPS dealers) and second the various costs borne by the state government These include storage administration gunny bags fungicides transport capital investment in godowns and lorries the vigilance unit and last but not least interest on debts and inventory

Unfortunately Andhra Pradesh is not publishing data on the breakdown of costs it incurs in handling grain The *State Administrative Report (S AR)* of the APSCSC is the closest thing to an annual report which can be found The *S AR* goes only so far as to state the overall subsidy on rice which it counts as separate from direction and administration" In other words it uses the same headings found in the budget documents of the state without showing the breakdown of expenditures Table 10 shows that the budgeted expenditure on civil supplies reached Rs 285 crore for the year 1988 89 No doubt this is the basis for the round Rs 300 crore figures reported in the press

In addition the Food Corporation of India (FCI) bears a portion of the costs since rice re-allocated back to AP from the central pool (which never physically leaves AP anyway) is itself subsidised The food subsidy nationally given to the FCI amounts to Rs 2,300 crore (1987-88), but it is not clear how much of the subsidy is received by AP [30] The allocation of costs between state and centre is determined mainly by the issue price at which FCI sells rice to the states (Rs 239/quintal for common variety in 1987-88), but there is also the question of how to allocate FCI overheads among the states

To adequately assess the scheme it would be necessary to know APSCSC s processing, transport and overhead costs per tonne of rice as well as the interest payments made and the level of outstanding debt Only then could the efficiency of the state in providing grain be judged

One contentious issue is that the FCI borrows from the Reserve Bank of India (RBI) at 10 per cent per year whereas the APSCSC (like someone cut bit with an overdraft instead of a loan) pays 17 per cent [31] APSCSC is likely to be paying 17 per cent on a minimum of 90 crore a year (Rs 1 3 crore a month) One report stated that the RBI charged 17 per cent on the food credit of about Rs 130 crore taken by the state government to buy rice from millers [32] However this figure is above the current limit of Rs 90 crore placed on APSCSC RBI borrowings by central government This year the government requested the APSCSC's cash credit limit at RBI to be increased to Rs 150 crore and to be loaned at concessional interest rates [33]

The subsidy provided by the state may not be covering APSCSC s costs each year In July 1984 the authorised share capital of APSCSC subscribed by the state government was raised from Rs 3 crore to Rs 10 crore [34] The injection of Rs 7 crore from state funds was probably in order to enable the APSCSC itself to borrow more from various sources It doesn't seem to have been spent on assets the department s capital expenditure (July 1 1985 to March 31 1986) was only Rs 2 lakh compared to budgeted outlays of Rs 152 lakh [35]

Subbarao found that in 1985 86 the cost to the state for providing one rupee worth of subsidy was roughly one rupee, and he has pointed out that it would be more efficient to distribute the subsidy in some cheaper way [36] The cost of providing each

TABLE 9 RECENT COARSE RICE PRICES IN AP

(Rs quintal)

Variety / Year	Official Prices: FCI Procurement Common	Official Prices: APSCSC Purchase Common	Official Prices: Premium All	Market Prices: Wholesale: Three Centres Coarse	Market Prices: Wholesale: State Average Sort II	Market Prices: Wholesale: AP Index All	Market Prices: Retail: State Average Sort II
	(1)	(2)	(3) (1)	(3)	(4)	(5)	(6)
1981 82	190 50			278 39	237 81	228 5	247 00
1982 83	201 55			249 28	241 94	241	261 00
1983 84	21 30	222 30	5 00	269 40	267 34	269 5	283 00
1984 Rabi	21 30	240 00	22 70				
1984 85	227 40	237 40	10 00	262 50	260 28	275 5	275 00
1985 86	233 30	243 30	8 00	278 13	nd	286 2	nd
1986 87	241 60	251 60	10 00	nd	nd	300 4	nd
1987 88	250 15	259 15	9 00	nd	nd	nd	nd
December 1987						338 0	

Note Nd means no data available

Sources (1) and (2) AP Civil Supplies Department Hyderabad

(3) *Agricultural Prices in India 1982 85* Average of Kakinada Srikakulu Vijayawada coarse Srikakulu Nizamabad coarse and (from 1983 onwards) Hyderabad coarse wholesale rice prices 1985 86 figure is for the months of July December 1985 only

(4) and (6) *Season and Crop Reports* of AP various years

(5) S AR 1988 1970 71 100

TABLE 10 CIVIL SUPPLIES BUDGET ALLOCATIONS 1983 84 to 1988 89

(Rs crore)

Year	Direction and Administration	Subsidy on Rice	Recoveries (Suspense Credits)	Total
1983 84	4 21	95 75		99 96
1984 85	4 58	160 51		165 09
1985 86	5 14	160 04		165 18
1986 87	8 38	180 84		189 22
1987 88	5 44	500 00	250 00	255 44
1988 89	7 10	556 76	278 38	285 48

Notes These allocations are over 99 per cent non plan expenditures Recoveries or suspense credits is a category of civil supplies income not found in the earlier budget document Presumably both gross expenditure and expected receipts have been reported The fact that exactly half of gross expenditure for 1987 88 and 1988 89 is expected to be covered by receipts (recoveries) suggests that these figures are rough projections

Sources 1983 84 to 1985 86 data *Government of Andhra Pradesh Budget Estimates* (non plan and plan) For the year 1985 86 Vol III Parts I and II especially p 489 Later data *Government of Andhra Pradesh Budget Estimates* 1988 89 Food and Agriculture Department Vol III/12 (July 1988)

NOTICE

It is hereby notified for the information of the public that **Vam Organic Chemicals Limited** proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under Sub-Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the establishment of new undertaking/unit/division Brief particulars of the proposal are as under

1 Name and Address of the Applicant — **Vam Organic Chemicals Limited**
Bhartiagram Gajraula,
District Moradabad
Uttar Pradesh

Capital structure of the applicant organisation

	Equity	Preference
	(Rs in lakh)	
Authorised	1460 00	40 00
Issued and Subscribed	516 49	38 50
Paid up	516 49	38 50

Management structure of the applicant organisation including the names of directors including managing director whole time director and manager if any — The Company is managed by the Board of Directors consisting of

Shri M L Bhartia		Chairman
Shri S S Bhartia		Managing Director
Shri H S Bhartia	-	Wholetime Director
Shri P K Khaitan	—	Director
Shri J B Dadachanji	—	Director
Shri L Ivnas (Alternate Shri M T Shah)	-	Director
Shri H J K Klouman (Alternate Shri A T Shah)	—	Director
Shri S S Kanoria	—	Director
Shri A Ray	-	Director
Shri R K Bhargava		Nominee Director (PICUP)
Smt Sunanda Prasad		Nominee Director of (UPSIDC)
Shri Lalit Srivastava	—	Nominee Director of (UPSIDC)

4 Indicate whether the proposal relates to the establishment of new undertaking or a new unit division — New Unit

5 Location of the new undertaking/unit division — Gajraula District Moradabad Uttar Pradesh

6 Capital structure of the proposed undertaking as mentioned in Sr No 2 — To be decided later in consultation with financial institutions/merchant bankers

In case the proposal relates to the production storage supply distribution marketing or control of any goods/articles indicate

(i) Name of goods/articles and proposed licensed capacity — Monochloro Acetic Acid 5 000 MTA

(ii) Estimated annual turnover — Rs 12 Crores

8 In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc — Not Applicable

9 Cost of project — Rs 5 Crores

10 Scheme of Finance indicating the amounts to be raised from each source

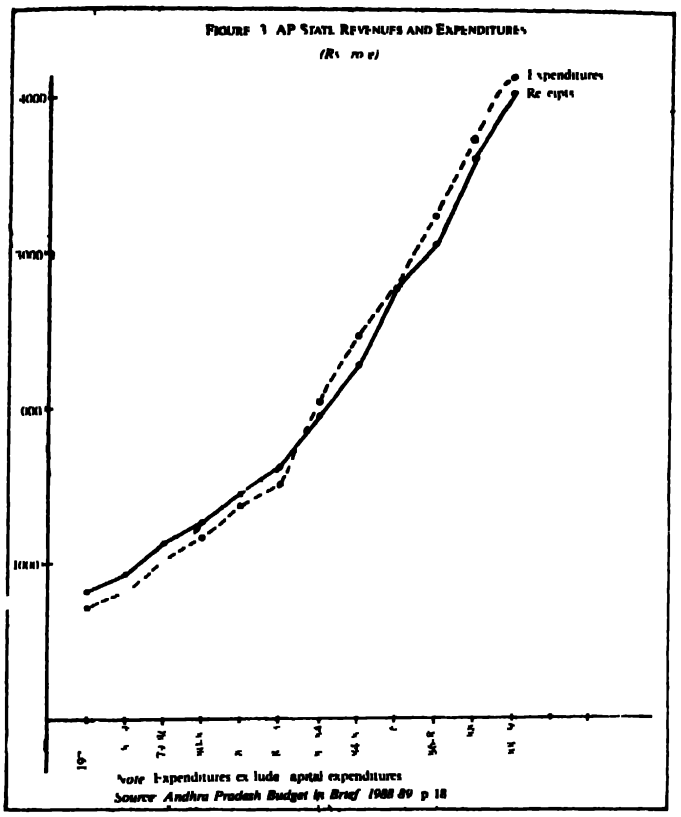
Equity	Rs 1 Crore
Rupee loans	Rs 2 Crores
Debenture	Rs 2 Crores
	Rs 5 Crores

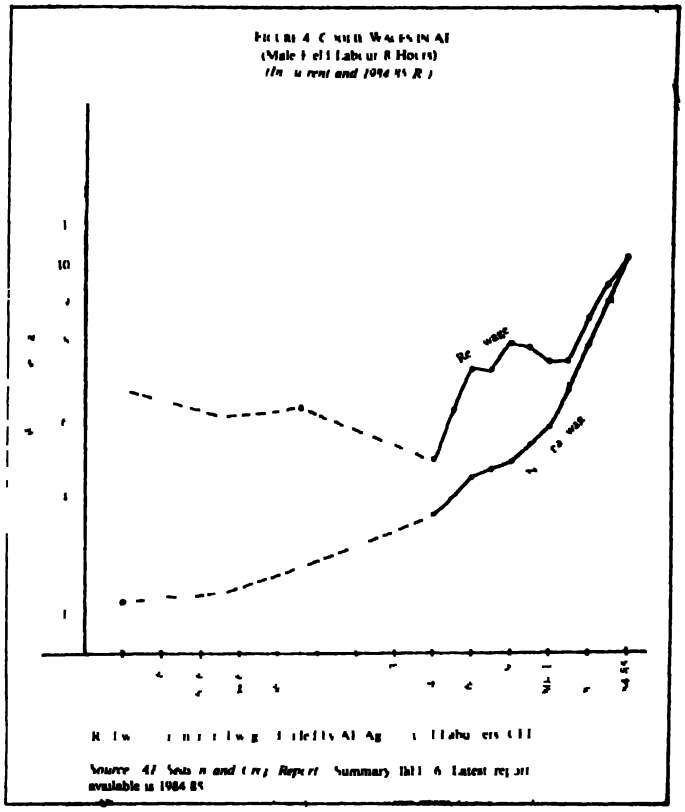
Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhawan New Delhi within 14 days of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

FOR **VAM ORGANIC CHEMICALS LIMITED**

Sd/
(S S BHARTIA)
MANAGING DIRECTOR

Dated this 15th day of July 1989





rupee of subsidy in 1987 88 has risen to Rs 1 31 (assuming Rs 240 year hh subsidy value going to 9 514 m green card holders at a cost of Rs 300 crore) Distributing cash would be cheaper than the rice ration scheme—but it would lack the symbolism and political side effects of anna varam

When we imagine future reductions in the rice subsidy, the alternatives are not only no subsidy' but also other ways the state could be spending its funds For instance the rice subsidy is more than the entire state expenditure on public health Rs 300 crore spent on the rice scheme compared with Rs 100 crore on urban health Rs 26 crore on rural health, Rs 16 crore on medical research Rs 48 crore on public health, and Rs 39 crore on family welfare [37] The state expenditure on water supply and sanitation (both urban and rural) is only Rs 125 crore even including a big rise in urban water supply costs due to drought in 1987-88 State spending on the AP State Electricity Board was Rs 170 crore in 1987-88 The secondary benefits of spending more on health, water supply and power and less on rice subsidy could perhaps have been great, especially during the recent drought when these services were under pressure. Another contrast is between education spending and the rice subsidy A widening of educational opportunities for village people could benefit them in more permanent ways than the food subsidy has, by making them better able to compete for jobs and improve their agriculture. Yet the entire cost of elementary education in AP was Rs 343 crore in 1987-88, just over the cost of the rice subsidy Spending on secondary education was Rs 210 crore university and higher education Rs 138 crore and adult education a pittance at Rs 6 crore These expenditures have in fact risen in real terms since 1983 84 but a possibility of improvement and growth in the state education system has been missed Many teaching posts have been going empty because of the state's growing financial crisis

To understand the nature of this crisis the rice scheme must be considered jointly with the increasing size of the state's annual budget over the past five years (Figure 3) Revenue spending will be 150 per cent higher in 1987 88 than it was in 1982 83 (79 per cent higher in real terms) (see Table 11) This big increase has been financed partly by an increase in tax revenues but has also been accompanied by successive state budget deficits As a result the state's outstanding debt has increased and spending on capital investment has been relatively squeezed by the increases in both interest payments and the rice subsidy costs Some American economists like to point out that 'there ain't no such thing as a free lunch" The saying holds true for Andhra Pradesh as everywhere else, and the rise in state spending has indeed been covered through the following mechanisms

(i) Rise in taxes Tax revenues from the state sales tax excise tax vehicle tax and other taxes have all risen by 50-70 per cent in real terms over the last five years (Table 11) Property tax revenues have risen less than other categories of taxes (by 7 per cent in real terms) Together these two factors suggest that the changing tax structure is becoming more regressive but the incidence of taxes on different income groups would have to be analysed before this suspicion could be confirmed Meanwhile the state's share of central taxes has also risen considerably Overall tax revenues rose by 120 per cent (58 per cent in real terms) over the five year period considered in Table 11 Thus the public sector itself has grown considerably in AP since TDP came to power

(ii) Successive budget deficits As Figure 3 shows after TDP was elected the state budget went into deficit for the first time in years Recurring deficits averaging Rs 118 crore per year over the period 1983 84 to 1988 89 have helped to pay for the growth in expenditures under TDP

(iii) Borrow now to pay later A lot of the new state debt has been in the form of open market borrowings Outstanding open market loans rose by 91 per cent in real terms from 1982 83 to 1987 88 while debts due to central government rose by 36 per cent and loans from autonomous bodies (including the RBI) rose by 23 per cent in real terms over the same period Net outstanding debt now stands at Rs 4 200 crore ($ 2 78 billion at current exchange rates), over double what it was in 1982 83 (Table 12) The interest and debt servicing payments have risen to Rs 315 crore ironically a figure comparable to the entire food subsidy cost These interest payments have doubled in real terms in five years and are a major expense of the present state government

(iv) Reduce other expenditures In the midst of this boom in expenditures the importance given to the power and irrigation

HOECHST INDIA LIMITED

FORM II A

[See Rule 4A(1)]

Form of [illegible] members of the public before making an application to the Central Government under sub section (2) of [illegible] and Restrictive Trade Practices Act 1969

NOTICE

It is hereby [illegible] that **HOECHST INDIA LIMITED** proposes to make an application to the Central Government [illegible] Company Affairs New Delhi under sub section [illegible] section 29 of the Monopolies and Restrictive Trade Practices Act [illegible] new undertaking [illegible] Brief particulars of the proposed are as under

1 [illegible]	**Hoechst India Limited** Hoechst [illegible] Nariman Point 193 Backbay Reclamation Bombay [illegible]
[illegible]	Authorised [illegible] Rs 100,000,000 divided into 1,000,000 Equity shares of Rs 100 each [illegible] subscribed and Paid up Capital Rs 95,[illegible] divided into [illegible] Equity shares of Rs 100 each
[illegible] structure of the applicant organisation [illegible] the names of the directors including [illegible] director and manager if any	The Company is managed by the Managing Director under the overall supervision and control of the Board of Directors Names of Directors MR VIJAY MALLYA (Chairman) DR E BALLIN Managing Director MR [illegible] V DE ECHA MR C L JAIN DR H G JANSON MR F A HONIGMANN Alternate DR H G JANSON PROF DR G KORGER MR D LANGENFELDER MR H J TIMNER MR P N VENUGOPALAN
4 Indicate whether the proposal relates to the establishment of a new undertaking or a new unit division	The proposal relates to the manufacture of additional Articles in the existing manufacturing plant
5 Location of the new undertaking [illegible]	Mulund Dist Greater Bombay Maharashtra
6 In case the proposal relates to the production storage supply distribution marketing or control of any goods articles indicate	
i) Name of goods articles	LASIX RETARD CAPSULES/TABLETS
ii) Proposed licensed capacity	Will be manufactured within the existing licensed capacity of 5845 33 kgs of bulk Frusemide for formulations of Lasix Tablets and Injections covered by Industrial Licence No L 29 2/3 65 Ch III dated 5 6 65
iii) Estimated annual turnover	Rs 15 Mio approximately at full capacity
In case the proposal relates to the provision of any service [illegible] the volume of [illegible]	Not Applicable
8 Cost of the project	Nil Formulation activity will be undertaken within the existing facilities available in Mulund
9 Scheme of finance indicating the amounts to be raised from each [illegible]	Not Applicable

Any person interested in the matter may make a representation in quadruplicate to the Secretary Government of India Ministry of Industry Department of Company Affairs Shastri Bhavan New Delhi within 14 days from the date of publication of this notice intimating his [illegible] and indicating the nature of his interest therein

For **HOECHST INDIA LIMITED**

Sd/

(C L JAIN)

FINANCE DIRECTOR & SECRETARY

Dated this 7th day of July 1989

sectors has fallen relative to the consumer subsidy Table 13 shows that although all subsidised sectors are getting more cash than ever before, the food subsidy has grown most of all It has risen from 2 per cent of subsidy spending in 1982-83 to 37 per cent in 1986-87, while electricity and irrigation subsidies fell from 92 per cent to 59 per cent of subsidy spending [38] Other areas which might have benefited from new subsidies, such as education and industry, have made no headway at all (Table 13)

But the state government's decision to borrow on a large scale has even wider implications than this First, it has no doubt contributed to the general inflationary situation which is developing in the country as a whole. Of course the state is constrained by central government's monetary policy, and the fact that the money supply (M_3) nationally has risen by 17 3 per cent over the last year is not AP's fault [39] Nevertheless there is a worrying trend here.

Secondly, such borrowing by the state must crowd out private borrowing and hence productive investment Ultimately, whether through a rise in inflation or a fall in productive investment, it is the working people of AP and the "poorest of the poor" who will pay the price for this strategy In the long run they may face lower real wages and fewer new jobs In this sense the green card holders can eat cheaply now but will have to pay for it later

Other States' Poor Suffer

To some extent the state government has played 'beggar-thy-neighbour' with the surrounding states It did this by quietly reintroducing *de facto* zoning in 1983 At the time of implementing the Rs 2/kg scheme the state government revised the regulations regarding issue of permits to mills to sell rice. Each miller had to prove he had sold 50 per cent of his rice output to the FCI and 25 per cent to the APSCSC before he could receive a permit to sell the remainder

Though in practice these proportions vary, the effect of the regulations was severe enough that the millers took the AP civil supplies department to court, claiming that it had no right to restrict the sale of rice in this way The millers lost the case and the regulations are still in force.

To placate the millers (and satisfy central law, that is not purchase at the FCI price) the APSCSC paid a small premium over the FCI price—Rs 5 per quintal initially, Rs 22 7 per quintal in rabi 1984, and Rs 8-10 in recent years (Table 9)

After the FCI levy and civil supplies demand have been met, the miller can sell the remaining rice to any buyer, including out-of-state buyers, so that the policy certainly did not shut AP's borders to rice 'exports' on private account And Andhra's net contribution to the central pool has not changed some 5 to 6 lakh tonnes (0 5-0 6 mmt) of rice per year, which is partly offset by growing wheat supplies received through the FCI (Table 14)

But the permit regulations over the years 1983 to 1988 have nevertheless acted as a zoning policy limiting the total flow of rice from AP to other states This inevitably results in other states' market rice prices being higher than they otherwise could have been, and the poor in other states thus pay a price for AP's rice scheme in spite of FCI's role as redistributor

The evidence that AP 'exports' have been restricted is of two kinds First, prices in nearby states have been consistently higher than in AP (though this could be explained by transport costs too) Radhakrishna and Indrakant found the premium for rice 'exports' out of AP was 12 per cent on average [40] The retail coarse rice prices in different centres in the *Agricultural Prices in India 1982 85* series also support this claim

In Bangalore and Madras many hotel meals include only limited rice, beyond which one must pay extra, whereas in AP cities unlimited rice is usually given This suggests the higher cost and relative scarcity of rice in the neighbouring states

Second further evidence lies in the fact that in the financial year 1985-86, the vigilance cell of the AP civil supplies department achieved an all time record in recovering smuggled goods It has a network of 183 checkpoints (154 on the state borders and 29 on inter-district borders), where permits are checked against intended sale point An amazing Rs 31 crore worth of goods were seized in one year all illegally on their way out of the state Among these goods were 18,000 tonnes of foodgrains (1 8 lakh quintals), 3,500 tonnes of groundnut seeds and 27,000 tonnes of sugar [41]

The rice caught on its way out indicates (a) that the net flow on private account is indeed to out-of-state buyers, suggesting that any price rise in AP has not been far out of line with rises in Bangalore or Madras, and (b) that the flow was not allowed to fully equilibrate demand and supply The smuggling is therefore an indication that within the AP market rice prices have been held down by the permit regulations, relative to no restriction on 'exports', while prices in neighbouring states have been higher than they could have been

TDP claims proudly that "it is a matter of great satisfaction that nowhere in the country a 'food subsidy' scheme of this dimension, scope and coverage is implemented"[42] (see Table 1) Would the TDP leaders be just as proud to announce that their policies so far have made rice cheaper for Andhra Pradeshis but more expensive for Tamils, Keralites and Kannadigas?

Recently NTR proposed having the same rice ration scheme in the proposed national Federal Front manifesto [43] Blinded by their success so far in electoral politicking, the TDP leaders may not have realised that a ration scheme on the scale of Andhra Pradesh's present one would be extremely costly for the nation as a whole. Although NTR "did not agree that developmental works became a casualty due to the populist scheme"[44], this is the obvious problem with such a huge subsidy scheme both at state and national levels

Other indirect effects of the rice scheme lie in the areas of wages, relative prices and the cropping pattern After

Table 11 Changes in Andhra Pradesh State Budget 1982 83 versus 1987 88

	1982 83 (Current Rs)	1982 83[a] (in 1987 Rs)	1987 88[b] (Current Rs)	Real Increase over Five Years (Per Cent)
(1) Total revenue received	1639	2280	3600	58
of which				
Share of central taxes	361	502	733	46
Property taxes	71	99	106	7
State excise tax	235	327	502	54
State sales tax	402	559	950	70
Vehicle electricity and other taxes	100	139	233	68
Non tax revenue	260	362	621	72
Grants in aid and contributions	210	292	455	56
(2) Total revenue expenditure	1507	2096	3746	79
of which				
Interest payments and debt servicing	112	156	315	202
Civil supplies	100[c]	139	255	83[c]
All other items	1295	1801	3176	76
(3) Net capital expenditure	243	338	437	29
(4) Balance = (1)−(2)−(3)	−53	74	−583	789

Notes a WPI rose from 288 7 to 401 7 giving a price of 39 per cent over 5 years
b Revised Budget Estimates (RE)
c As the 1982 83 civil supplies subsidy figure was not available the 1983 84 figure has had to be used, thus understating the growth in civil supplies expenditure over the five-year period

Source *Andhra Pradesh Budget in Brief 1988-89* pp 1, 24, 40, price index from *Economic Survey 1987-88*

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10-3 311/A CASTLE HILLS
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living from April 1986 to June 1987 in a village in western Chittoor district, my impression was that wages in remote areas were at a subsistence level and the food subsidy actually kept them down Agricultural workers in small hamlets got Rs 2 50 or Rs 3 00 for a full day's work (with meal) in most months, while workers in a central village of 300 houses got Rs 3 50 or Rs 4 00 per day (The wages for Chittoor district reported in the most recent *Season and Crop Report* (1984-85) are far higher than this, being in the range Rs 5 50-6 00 depending on the month)

Landlords and large farmers, knowing that the workers got the ration rice cheap, could push the cash wage even lower than usual In addition they reduced the cash payment to pay for the workday meal However state-wide wage data available do not support the hypothesis that the rice subsidy reduces cash wages generally (Figure 4) Wage rates rose substantially over the period 1981-82 to 1984-85 and no later data is yet available. This rise suggests that the statement that "over the long run, there is strong evidence that the real wages of agricultural workers have remained constant' is no longer true [45]

A full analysis of the effect of Rs 2/kg rice on wages might well reveal different effects in deficit and surplus districts The wage gap between the two areas is huge, even leaving out the fact that the statistics are biased upwards in backward areas by urban data collection For instance, reported male field labour wages averaged Rs 10 26 per day across the state in 1984-85, but were Rs 11 78 (15 per cent higher) in the six coastal districts and only Rs 8 18 (20 per cent lower) in Rayalaseema [46]

The scheme's effect on AP market prices is also debatable. I have argued that the permit regulations kept the rice prices lower than they could have been, but on the other hand Radhakrishna and Indrakant seem to conclude otherwise (p 76) No doubt the additional purchasing power in the hands of the rural poor, who have a high income elasticity of demand for food, has increased aggregate demand for rice relative to pre-1983 levels It is hard to separate this effect on demand from the effects of zoning on supply

The scheme has indirectly encouraged the production of cash crops on dryland Unfortunately the extent of this change will be hard to measure, since the drought of recent years and the national scarcity of edible oils have also substantially affected cropping patterns in AP Small dryland farmers have been induced to replace millets with groundnut through the increasing relative profitability of the latter While groundnut prices rose over the period 1983-1987, ragi, bajra and jowar prices have stagnated[47] (see Table 15) In addition, as suggested earlier, demand for coarse grains has fallen in AP as poor households substitute cheap rice for millets The size of this effect is suggested

TABLE 12 OUTSTANDING PUBLIC DEBT OF ANDHRA PRADESH

(Rs crore by financial years)

Year	Open Market Loans	Loans from Central Government	Loans from RBI etc*	Total Nominal Debt	All India WPI (1970 71 – 100)	Total Real Debt (1987 Rs)
1979 80	243	1215	54	1512	217 6	2790
1980 81	255	1360	59	1674	257 3	2612
1981 82	299	1470	74	1843	281 3	2633
1982 83	347	1648	72	2067	288 7	2875
1983-84	426	1793	138	2357	316 0	2995
1984-85	501	1999	273	2773	338 4	3293
1985 86	644	2538	91	3273	357 8	3673
1986 87	772	2809	102	3683	376 8	3926
1987 88 RE	924	3127	123	4174	401 7**	4174
1988 89 BE	1106	3397	147	4650	na	—

Notes * i e from autonomous bodies
** 9 months to December 1987 only
Source *Andhra Pradesh Budget in Brief* 1988 89 p 24

TABLE 13 AP STATE SUBSIDIES 1981 82 TO 1986 87

(Rs crore)

	1981 82	1982 83	1983 84	1984 85	1985 86	1986 87
Electricity	21	40	44	48	52	56
Irrigation	92	110	132	159	190	228
Consumer subsidy	1	4	96	137	160	176
Educational subsidy	negl	nd	0 7	0 4	0 7	0 5
Industry	0 2	0 4	1 5	1 5	2 4	1 8
Promotion of film industry	0 3	0 4	0 5	0 3	0 5	0 5
Others	8 5	8 2	7 3	10 8	15 4	15 2
Total	123	163	282	357	421	478

Note These figures leave out other types of expenditure by the state such as investment expenditure
Source K S Reddy p 13 (Table V 2 7) (see note 35)

TABLE 14 AP'S CONTRIBUTION TO CENTRAL POOL 1980-1985

(000 tonnes)

Calendar Year	AP Rice Procured by FCI	Of which To Central Pool	Of which Back to AP	Plus Wheat from Centre to AP	Total FCI Supplies	AP's Net Contribution
	(1)	(2)	(3)	(4)	(5)=(3)+(4)	(1)–(5)
1980	515	147	368	180	548	– 33
1981	962	546	416	160	576	386
1982	1040	604	436	190	626	414
1983	1683	576	1107	180	1287	396
1984	1617	609	1008	210	1218	399
1985	1704	726	978	375	1353	351

Note Rice procurement figures exclude APSCSC purchases Column (5) includes negligible amounts of coarse grains
Source *Bulletin of Food Statistics 1985*

TABLE 15 WHOLESALE GRAIN PRICES IN SELECTED MARKETS IN AP 1981 85

(Rs/quintal)

Year \ Market	Jowar Hyderabad	Bajra Hyderabad	Maize Khagaria	Ragi Madina	Ragi Nellore	Groundnut Hyderabad
1981	151	137	143	167	148	339
1982	155	124	160	154	127	365
1983	142	140	167	166	150	n d
1984	148	140	149	177	173	510
1985	143	146	163	179	170	651
Per cent change 81-85	–5	+7	+14	+7	+15	+92

Source *API*, see note 47

by National Nutrition Monitoring Board data which estimated coarse grains in AP in 1980 to be 18 per cent of total grain consumption for the poorest and a sharply lower percentage in higher income groups falling to 5 per cent for the one sixth of households in the highest income category[48]. A dietary shift to wheat and rice from millets among the poor would explain the falling real market price and will also directly encourage the switch from coarse grains to rice and/or production on their dry land.

The selective effect of the incentive need be paddy farmers to Be sure the tax implicit in the low procurement price is passed on to supplier farmers who sell to levied millers in areas where the procurement quotas are enforced are being discouraged from growing rice. In the meantime paddy farmers in non levied areas especially in irrigated farmers in deficit districts face higher market prices and are relatively in control to grow rice. Though this may have boosted the acreage of farmers income the cropping pattern that this price structure encourages may be inefficient.

Conclusions

To sum up the rural and urban poor have gained some Rs 240 per year per household from the rice rationing policy but it is a temporary tenuous gain. The subsidy may later be cut as budgetary constraints begin to bite.

If the subsidy and ration are not reduced the next crisis could come from the physical supply side. As the FCI buffer stocks worn down and central government continues to pressure AP to donate its rice surplus to central pool another drought year flood or a concerted rebellion by the rice millers could lead to disaster. Empty dormant FPS shops a state government under attack from both voters and central government sourcing market prices as buyers turn to private traders and they throw their hands in the air saying civil supplies took all our stocks! this is the scenario if and when procurement is not sufficient to meet PDS demand in the state. At that point the perverse and short term logic of state grain trading within a market economy would be obvious. Harriss's paradox could reappear in AP.

The rice rationing scheme helps people but it cannot be said to eradicate poverty since it does not tackle the basic structures which have created poverty. An electoral programme to solve the underlying problem must combine support for a targeted food subsidy with a set of demands for more fundamental changes.

Notes

[I am grateful to the various people who have helped me in this work especially J Rangaswamy B Prasadbabu J Hever and B Harriss. Thanks also to P V S Kumar D Narasimha Reddy Sanjaya Baru Muralidhara and Gundu for helpful comments.]

1 AP Civil Supplies Department 1988 Rs 2 A kg Rice Scheme (6 pp)

2 R J Rajendra Prasad High Cost of Cheap Rice *Hindu* June 25 1988

3 D Venkateswarulu personal communication based on his village surveys in four different districts

4 B Harriss Policy Is What It Does State Trading in Rural South India *Public Administration and Development* Vol 8 1988 p 153

5 Ibid and B Harriss Meals and Noon Meals in South India Paradoxes of Targeting *Public Administration and Development* Vol 6 1986

6 Government of Andhra Pradesh *Wholesale Trade in Rice and Wheat Take Over by the State Government* Report of the Committee on the Take Over April 2 1973. Many such incidents are described by K Balagopal in *Problems of the Political Economy of Agrarian Classes and Conflicts* ed G Haragopal Perspective Press Hyderabad 1988 (reprints from *EPW*).

8 The AP Civil Liberties Union has investigated many such cases in AP see for example pp 10 108 in ibid. At the all India level Civil Liberties Maintains Deterioration *Economy and Political Weekly* August 20 1988 pp 1712 1713 reports on an Amnesty International review which among other things draws attention to the persistent allegations of torture political prisoners extra judicial killings and deaths in custody not only in Punjab but in Andhra Pradesh Tamil Nadu and Manipur.

9 N Subba Reddy Depriving Tribals of Land Andhra Move to Amend Land Transfer Laws *Economic and Political Weekly* July 16 1988 pp 1458 1461.

10 The index of all India wholesale price rose from 105 6 in 1980 81 to 303 3 in December 1987. The amount of Andhra Pradesh food rose from 193 7 to 300 4 over the same period. The series is not strictly different. See *Index Number of Wholesale Prices in India A Time Series Presentation* (19 1 1986 GOI Ministry of Industry Office of the Economic Advisor June 1987 and *Economic Survey 1987 88* GOI 1988. For AP index see Government of AP *Survey of Economic Trend in State Plan 1988 89 1989* p 11 (hereafter referred to as SET). See also Table 9.

11 K Radhakrishna and S Indrakant *Effects of Rice Market Interventions Policies in India The Case of Andhra Pradesh* Centre for Social Studies Hyderabad August 1987 p 80.

12 Sugar cards entitle the holder to rations of sugar kerosene edible oil and occasionally wheat. Rice card holders may buy all these commodities plus ration rice. Urban yellow card holders in three cities only (Hyderabad Vijayawada and Vishakhapatnam) are eligible for up to 50 kg of rice per month at less subsidised prices (see text).

13 In the 1981 Census Andhra Pradesh is reported to have had 53 592 605 people in 10 895 760 households. Projecting these figures forward at the (compound) rate of 2.345 per cent per year calculated from AP's 1971 1981 population growth (19 71 population 43 502 708) we get an estimate of 12 5 million households in July 1987. In Table 6 the figures for each agricultural year (e g 1987 88) are given against the population at the start of that year (e g July 1987). GOI *Census of India 1981* Series 1 Household Tables (January 1988) Table HH 5.

14 See National Institute of Nutrition (IMCR) Hyderabad National Nutrition Monitoring Board Reports for the years 1980 1981 and 1982. As more recent volumes of the NNMB's survey results come out we may get a clear picture of the impact of the Rs 2/kg scheme on AP diets. The consumption levels can be compared to earlier levels and to neighbouring states levels. The latter comparison would to some extent offset the intervening effect of drought on diets.

Village data which I have gathered on a random sample of 90 households in western Chittoor districts in 1986-87 will when fully analysed indicate the role of Rs 2 kg rice. Besides the brief extended census of 1 200 households covering nearly two villages we carried out monthly interviews with 90 families over a period of 13 months. The resulting data cover grain consumption purchases stocks and sales as well as harvests wage labour and family health. The problem with using such data to assess impact of Rs 2 kg rice scheme is that the impact of the Rice Scheme is confounded with other influences.

15 All India public distribution of foodgrains over 1980 1983 averaged 1 75 kg per capita per month (including both recipients and non recipients) compared with per capita net availability of 13 17 kg per month. In Andhra Pradesh per capita distribution in 1988 was 3 16 kg per month. Net availability unfortunately cannot be calculated at the state level because of private trade across state borders. See Table 4 and *Economic Survey 1987 88* pp 106 07.

16 Compare K Subbarao estimate of Rs 12 90 per month for 1985 86 calculated in a similar manner in his *Interventions to Fill Nutrition Gaps at the Household Level A Review of India's Experience* Institute of Economic Growth Delhi October 198 p 8.

17 *Study on Rs 2 Rice Scheme* Department of Economics Kakatiya Bhavanna and College Vijayawada October 1986 p 7.

18 Ibid p 44.

19 W K Olsen Overview of Extended Census Results mimeo 1988. The *Census of India* (op cit in 13) household tables show that in AP 38 per cent of households had 6 or more members in 1981 whereas among non farmer households this figure was only 29 per cent.

20 K R Venkatopal (ex commissioner for Civil Supplies of Andhra Pradesh) Foodgrains for the Poor *Indian Express* November 11 1985.

21 *State Administration Report of the Civil Supplies Department for the Year 1985 86* Andhra Pradesh Civil Supplies Department. Hereafter referred to as SAR.

22 The margins given to dealers are Rs 7 38 per quintal for rural shops and Rs 11 57 per quintal for urban shops. These margins are just a few paise per kg but they add up.

(i) Radhakrishna and Indrakant (1987) reported the following breakdown of cards: Urban 2 14 m green rice cards and 1 38 m yellow sugar cards. Rural 8 03 m green and 1 75 m yellow. Totally 10 17 m green and 3 13 m yellow cards for a grand total of 13 30 m cards. In the rural areas there were 9 78 m cards for 27 431 shops or 356 cards per shop in 1985. With 82 per cent of these cards green that's an average of 292 green and 64 yellow cards. In the urban areas there were 3 52 m cards for 6 257 shops of which 61 per cent are green giving 343 green and 219 yellow cards per shop.

(ii) The average sales per card issued can be estimated as 2 1 mmt divided by 12 months and by 10 17 m rice cards. This estimate leaves another 2 lakh tonnes for distribution to yellow card holders in the three cities (1 2 lakh tonnes per year by APSCSC estimates) and to tribal areas and

special programmes This method also precludes any error resulting from rations not being taken up Thus the rice actually distributed per card (not eligibility per card) is 17 2 kg/card/month or 206 4 kg card year on average

(iii) The state provides rice at Rs 192 62 per quintal to rural dealers and at Rs 188 43 to urban dealers and they sell at Rs 200 per quintal so

Rural gain 206 4 kg 0738 Rs kg × 292 cards Rs 4 447 83 per year per dealer

Urban gain 206 4kg × 1157Rs kg × 343 cards Rs 8 191 00 per year per dealer

(iv) The subsidy involved for this group of 33 688 lucky shop owners is– again for ration rice alone –

Rural dealers subsidy Rs 4 447 83 × 27 431 shops – Rs 12 2 crore

Urban dealers subsidy Rs 8 191 00 6257 shops Rs 5 13 crore In total that is whopping Rs 17 3 crore (173 million) a year

(v) Note that the potential profits from selling even one bag of rice on the side are large in relation to the monthly dealer's margin Rice not sold at Rs 2 kg can be sold for Rs 3 00 3 25 or even Rs 3 50 by entrepreneurial dealers Their margin on these illicit sales are not Rs 8 per bag but Rs 108 per bag or more the entire amount up to the going market price going into the dealer's pocket As the ration price gets further out of line with the market price of rice the temptation and potential profit get larger

23 A *Synoptic Note on the Public Distribution System in Andhra Pradesh* presented to union minister for civil supplies by chief minister of Andhra Pradesh Hyderabad September 15 1987 p 27

24 Ibid calculating the rural all inclusive dealers subsidy Rs 9 000 × 27 431 shops Rs 24 69 crore and urban all inclusive dealers subsidy Rs 23 400 6 257 shops Rs 14 64 crore per year Total is Rs 39 33 crore The Vijayawada study (op cit note 13) described how all the dealers are unanimous in expressing satisfaction at the working of the scheme (p 11)

25 Radhakrishna and Indrakant p 50

26 Ibid pp 47 48 report this as a profit margin of 22 per cent since the average price received per quintal of rice was Rs 291 (65 291 22 per cent) It would be interesting to know the profit per unit of capital stock

27 A S Kahlon and D S Tyagi *Agricultural Price Policy in India* Allied Press New Delhi 1983

28 Yellow Card Holders Will Get Rice *Newstime* July 6 1988

29 Ibid

30 R J Rajendra Prasad High Cost of Cheap Rice *Hindu* June 25 1988

31 Reading between the Lines of a Tax Demand' *Hindu* July 3 1988

32 Ibid

33 A Synoptic Note on the Public Distribution System op cit p 5

34 SAR p 29

35 K S Reddy, no date Trends in Central and State Subsidies mimeo prepared at Osmania University, Department of Economics, Hyderabad

36 *Interventions to Fill Nutrition Gaps* , op cit p 8

37 Figures are 1987 88 revised estimates Andhra Pradesh *Budget in Brief 1988 89* (volume VI of the budget documents of AP State Government)

38 K S Reddy, op cit, p 13 (Table V 2 7)

39 See 'Statistics' page, *EPW* August 6 1988 for details

40 Radhakrishna and Indrakant, op cit i e, compared with actual in-state sales by the same mills

41 SAR, p 2 and pp 21 22

42 AP Civil Supplies Department *Rs 2 a kg Rice Scheme* p 1

43 NTR Wants Rice Scheme in Federal Front Manifesto *Deccan Herald* July 26 1988

44 Ibid

45 A de Janvry and K Subbarao On The Relevance of Economic Modelling for Analysis of Food Price Policy *EPW* June 20 1987 p 1003

46 Calculated from monthly data *AP Season and Crop Report 1984 85*

47 The wholesale price of groundnut in Hyderabad rose from Rs 339 per quintal (pods) in 1981 to Rs 651 per quintal in 1985 (*Agricultural Prices in India 1982 85* p 155) and the all India wholesale price index for groundnuts rose from 242 in 1981 82 to 295 in 1984 85 and 348 in 1986 87 a 44 per cent rise over five years (*Economic Survey 1987-88*, p S 59 index base year 1970-71 = 100) By way of contrast wholesale coarse grain prices rose less on average by only 8 per cent over four years (prices for particular markets from *Agricultural Prices in India 1982 85* pp 32 64, 40, 44) In other words coarse grains prices have fallen in real terms See Table 15

48 The figures are given in grams per day for four categories (1) Hhs earnings 0 1 kupee day (17 per cent hhs) ate 82 per cent rice and 18 per cent coarse grains (2) hhs earning Rs 1 2 day (67 per cent) ate 89 per cent rice 10 per cent coarse grains and 1 per cent wheat (3) hhs earning Rs 2 5 day ate in the same proportions as those in class (2) and (4) hhs earnings over 5 Rs day ate 93 per cent rice, 5 per cent coarse grains and 2 per cent wheat NNMB Report for the year 1980 (op cit note 14) p 73

PLANNING COMMISSION

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NEW DELHI 110001

[illegible] qualified experienced and talented [illegible] **Economic Adviser (Urban & Social Sector Planning)** particulars [illegible]

Post No 1 89 [illegible] Planning (Group A Scale Rs [illegible]

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Qualifications

Essential

[illegible] equivalent [illegible] in the area of urban development/ [illegible] the subject concerned

Desirable

[illegible] subject relating to Urban development [illegible] in urban planning industrial [illegible]

Age Limit [illegible]

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Date of birth
Nationality
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5 Permanent address for correspondence (in block letters) and Telephone No if any
6 Whether SC ST
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10 If selected the minimum time required to join the post
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12 Signature of the candidate with date and place

General Conditions

1 One recent passport size photograph should be attached to the application
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3 Candidates will have to produce proof of the details furnished in their applications as and when required
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6 Complete applications should reach the Under Secretary (Admn) Planning Commission Yojana Bhavan Parliament Street New Delhi 110 001 latest by 31st July 1989 Applications from abroad and from those in Assam Meghalaya Arunachal Pradesh Mizoram Manipur Nagaland Tripura Sikkim Ladakh Division of Jammu & Kashmir Lahaul & Spiti District and Pangi Sub-Division of Chamba District of Himachal Pradesh Andaman & Nicobar Islands or Lakshadweep should reach by 11th August 1989 **Applications received after the closing date and incomplete applications will not be entertained** However candidates submitting Advance copies should ensure that the copy through proper channel also reaches by 21st August 1989 failing which their application shall *not* be entertained

davp 490 8 89

FACOR

NOTICE

1 It is hereby [illegible] information of the public that Ferro Alloys Corporation Limited (FACOR) proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under sub section (4) of Section 23 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the take over of the whole or part of Vidarbha Iron & Steel Corporation Limited (VISCO)

Brief particulars of the proposal are as under

i)	Name and address of the applicant	FERRO ALLOYS CORPORATION LIMITED Shreeram Bhavan Tumsar 441 912 (Maharashtra)
ii)	Name & address of the undertaking the whole or part of which is proposed to be taken over and the manner of take over by acquisition of shares acquisition of [illegible] management whether by the acquisition of the ownership of the undertaking or under any mortgage lease or licence or under any agreement or other arrangement	VIDARBHA IRON & STEEL CORPN LIMITED Shreeram Bhavan Ramdaspeth Nagpur By taking the mini steel plant installed by VISCO in MIDC Industrial Area Nagpur together with building other equipment and installation for lease and licence basis
iii)	Management structure of the applicant	FACOR is managed by Chairman and Managing Director Vice Chairman & Jt Managing Director and the [illegible] Executive Directors under the supervision direction and control of the Board of Directors consisting of

Mr Umashankar Agrawal	Chairman and Mg Director
Mr K K Saraf	Vice Chairman Jt Managing Director
Mr Chandrakant Mor	Executive Director
Mr Manoj Saraf	Executive Director
Mr Jayant Dalal	Director
Mr F B Desai	Director
Dr N Bhagwandas	Director
Mr Shravankumar	Director
Mr K Srinivasamurthy	Director
Mr Govinddas Agrawal	Director
Mr Jamnadhar Mor	Director
Mr M B Thake	Director

As on 31 3 1989

iv)	Capital Structure of a) the applicant	Capital Structure of FACOR Authorised Capital Rs 1000 lac Issued Subscribed and Paid up Capital Rs 55 [illegible] lac
	b) the undertaking proposed to be taken over	Capital Structure of VISCO Authorised Capital Rs 950 lac Issued Capital Rs 50 lacs Paid up Capital Rs 48 66 lacs
v)	Line(s) of business of the undertaking which will or is likely to emerge as a result of the proposed take over	FACOR is at present engaged in the business of manufacture and sale of various kinds of Ferro Alloys Charge Chrome and mining mineral ores With the proposed take over of VISCO s mini steel plant it will also be engaged in the manufacture and sale of Steel Ingots/Cast Billets Light Structurals Flats and Bars
vi)	Consideration for the take over	FACOR will pay to VISCO by way of compensation for use of their plant machinery equipments etc Rs 4 lacs per month plus 1/3rd of the net profits made by FACOR on the operation of the plant
vii)	Scheme of finance indicating the source(s) of finance for the proposed take over	No scheme of finance is involved and amount of compensation will be paid by FACOR out of its own operations

2 Any person interested in the matter may make a representation to Secretary Department of Company Affairs Govt of India Shastri Bhavan Dr Rajendra Prasad Road New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

For FERRO ALLOYS CORPORATION LIMITED

sd/

UMASHANKAR AGRAWAL
CHAIRMAN AND MANAGING DIRECTOR

Dated the 14th day of July 1989

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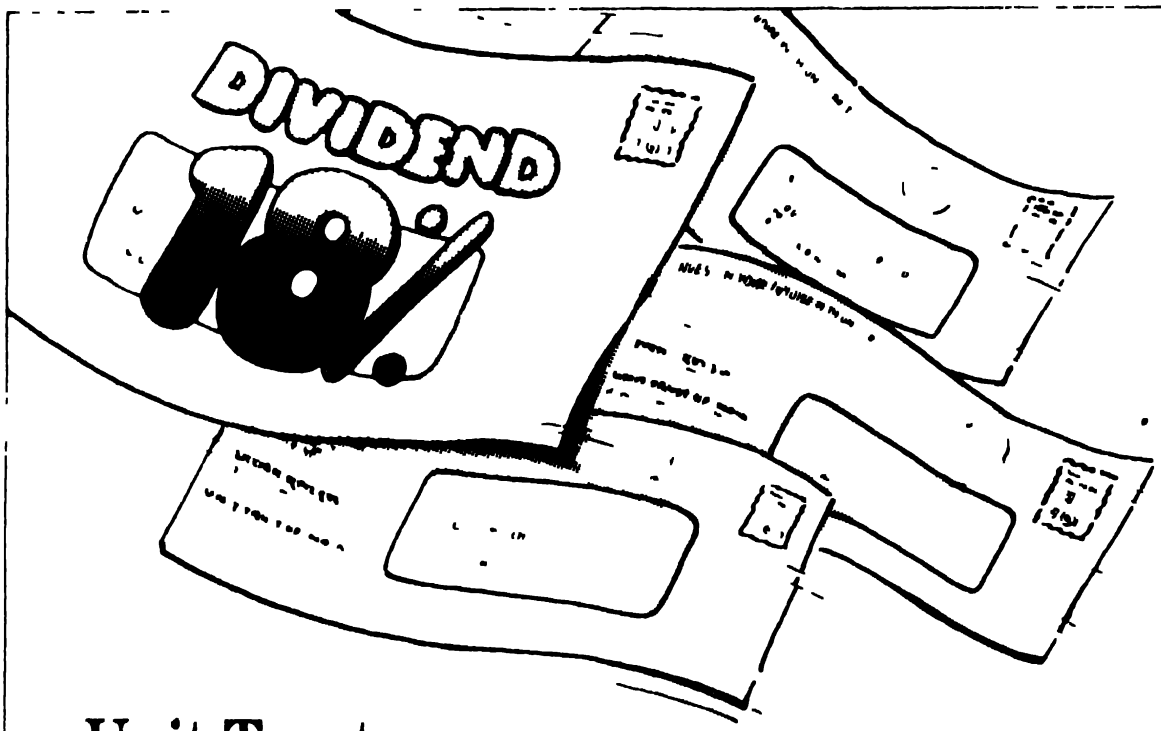

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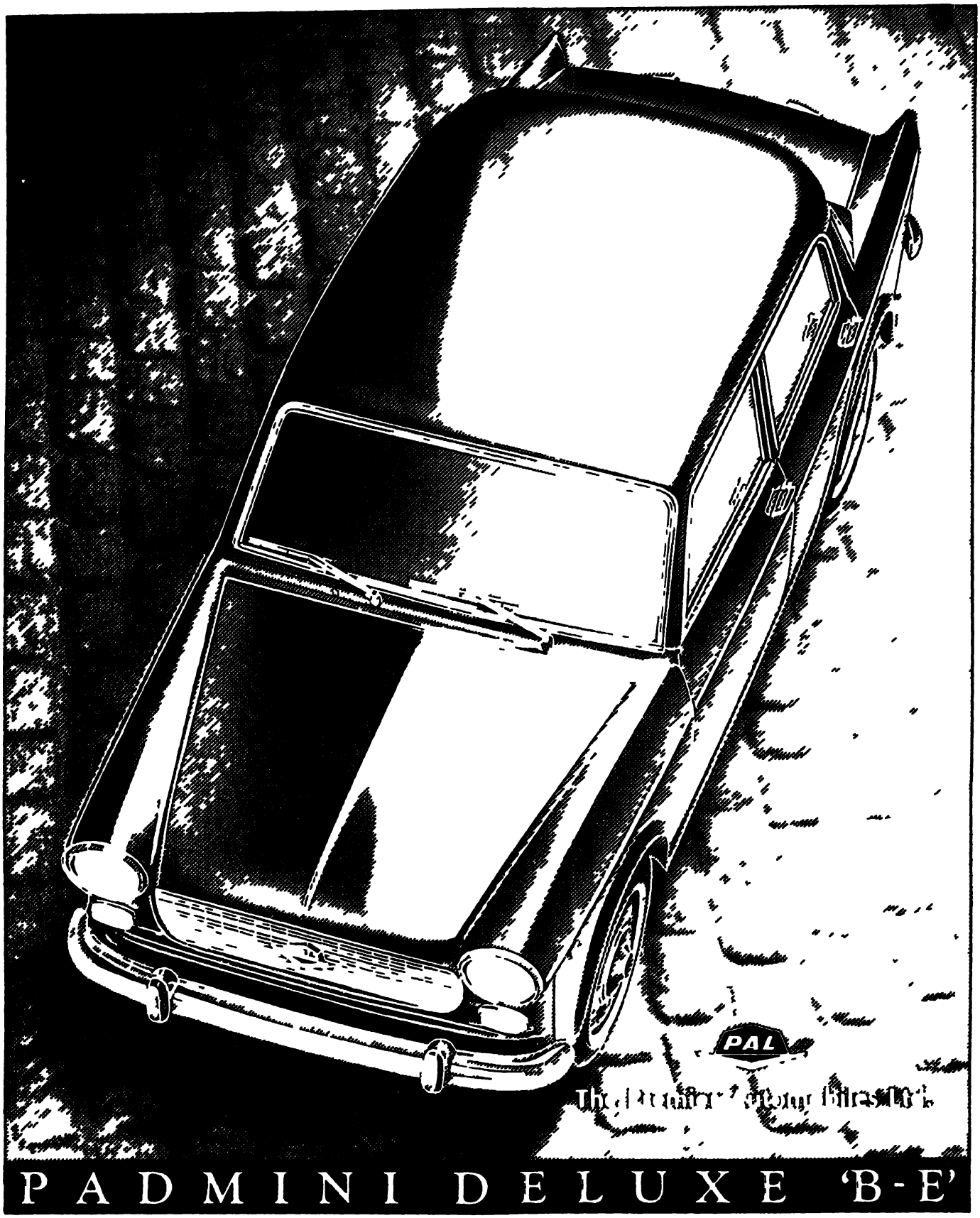

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Offshore Financial Centre

Far reaching changes have taken place in the international financial markets in the 1980s The external financial position of India too has altered markedly Have the recent international financial market developments made it more opportune for India to establish an offshore financial centre? And has the cost-benefit of such a centre become more favourable today than it was in the early 1980s? 1653

Panchayati Raj

It is true that the panchayati raj system has not been working well in large parts of the country and there is need to revitalise it However, the Constitution (64th Amendment) Bill can be said to be at best a partial effort in that direction A study of the experience of panchayati raj in different states 1663

Blind Spot

The government consists of class enemies, but the external policy of class enemies through some sleight of hand, gains acceptance as a correct policy for the Left to follow even if it means support to imperialist, and sometimes even fascist, causes 1623

Test Case

Among recent developments on the working class front, the lock out at the Bombay factory of Hindustan Lever was undoubtedly a major one Apart from the fact that it stretched for a full year and involved 3 000 workers and one of the largest multinational companies in the country, the real significance of the lock-out lay in the fact that in it were crystallised some of the central issues confronting the trade union movement in India today 1627

Feminism and Socialism

The relationship between feminism and socialism is an old one, but its modalities are not defined on either side and there is very little open debate. What we do have instead are hardline attitudes and reactions and counter reactions 1639

Doctors and Torture

Health professionals are often involved in cases of torture and use of third degree methods by the state. By participating in such acts they grossly violate a number of national and international codes of ethics How can the abuse of human rights by health professionals be prevented? Equally importantly, how can doctors be protected against being coerced by the state to take part in torture? Report on an Amnesty International seminar 1633

We are now used to harrowing tales of torture and faked encounters in Punjab, but the national press has been remiss in not reporting police atrocities in Jammu and Kashmir 1626

Income and Consumption

Variations in expenditure on consumption items cannot always be explained in terms of differences in income It is possible to demarcate some income ranges within which the level of consumption expenditure on many items is insensitive to variations in income Results of a study of West Bengal state government employees in Calcutta 1669

Double-Faced

The current controversy over the revision of electoral rolls in Assam shows once again, how there is no limit to the cynicism of the Congress(I) which is attempting to appease Assamese sentiments in the Brahmaputra valley and simultaneously stoke the fears of the so-called 'illegal foreigners' in the state 1631

At Home and Abroad

If the American people were part of the Pakistani electorate, Benazir Bhutto could have become prime minister of Pakistan for life. But successful foreign tours rarely help to avoid dealing with real problems at home. The day Benazir Bhutto left on her US trip, the opposition parties in Pakistan at last got their act together and formed a Combined Opposition Parties group to confront the government 1638

Unfulfilled Commitments

The government cannot claim to have acquitted itself creditably in dealing with the issues arising out of the record oilseeds production in 1988-89 It has failed to fulfil its commitments in regard to the two crucial elements in its integrated edible oils policy building a buffer stock of 5 lakh tonnes of oil and maintaining the prices of the major oils within a pre-specified price-band 1618

LETTER TO EDITOR

Reporting Bhopal

I WISH to respond to Padma Prakash's review on my book *Bhopal The Lessons of a Tragedy* (December 3 1988)

The only nice thing that Padma Prakash has to say about my book is in her last sentence and I quote And unfortunately of all the books on Bhopal many of them more analytical this will be the one which will probably be read most widely However unlike Padma Prakash I see nothing unfortunate in people reading my book

Padma Prakash accuses me at various points of sanitising the horror of the disaster and of falling prey to a UCC disinformation campaign Of course she is nice enough to say that I try and document Bhopal objectively But she doubt whether this much touted principle of good journalism can apply to such a situation She also says that my view of the medical tragedy is that UCC failed to give proper information instead of trying to cover up But the nasiest bit is about how the book is something of a betrayal of the thousands who died and the generations who continue to suffer from the Union Carbide disaster She also questions my data base saying I rely excessively on the *New York Times* the *Washington Post* and the *International Herald Tribune*

Let me deal with these points

On sanitising the tragedy Padma Prakash contradicts herself in the very next sentence saying It is certainly not an unfeeling narration far from it' Falling prey to a UCC disinformation campaign that is questioning the professionalism of a reporter who's been in the line for 15 years and I dislike the insinuation I detect that Padma Prakash's annoyance flows from my reference to UCC's sabotage theory in four and a half pages (including the major flaws in that theory) out of a total of 230 pages Quite frankly I do not see how anyone can afford to write a book about a major disaster and not look at all aspects of it And UCC's sabotage theory has been whispered about but never discussed openly, as if it were some evil thing that will envelop us in its embrace One must tackle such issues head on instead of running away from a discussion And, obviously, discussion does not mean acceptance of a viewpoint

This is scarcely the place for a debate on what makes good journalism Or what doesn't But since Padma Prakash mentions it let me say that dodging issues is not a barometer of good journalism or honest criticism either

On the medical tragedy and UCC's failure I think that Padma Prakash should read that part of the book which deals with the UCC's medical response a bit more carefully I say quite clearly there that the doctor at the Bhopal plant recommended using a wet cloth only although he knew as did other key Carbide personnel who had read the company manual on MIC that the chemical was deadly was both toxic and flammable and over exposure could lead to fatal pulomonary oedema Then I describe how the Carbide medical director in the United States sent off a telegram that said that if sodium cynide poisoning is suspected use Amyl Nitrate If no effect sodium nitrite 0 3 gms and sodium thiosulphate 12 5 gms And sodium thiosulphate as Dr Hireesh Chandra the forensic expert at the Hamidia Hospital pointed out and which is reflected in the book is the recognised antidote to cyanide poisoning I think it is a gratuitous insult to readers that they should be told at every page that there is a cover up It has been my experience that we often underestimate our reader and they can easily follow complex issues when laid out clearly Carbide's dishonesty is clearly shown in a series of incidents

On the activists they won one major battle in getting the sodium thiosulphate theory accepted and have especially in the past months since the Supreme Court judgment kept the issue alive through rallies demonstrations and their work I speak of the way the government disrupted their work No one is seeking to undercut their struggle But the tragedy of the activist movement in Bhopal is that it is splintered divided by ideological differences and personal disputes That is why it has not had the impact that it should and could have had on the country Take just one example how does one explain the lack of response or the failure to create a Special Bhopal Fund in nearly five years despite the public interest? Such a fund could have given some sustenance to the most wretched of the victims at the least I don't think that there are any sacred cows which must go unchallenged

On the data base of 377 references to sources, etc, 20 are to the *New York Times* (no, I did not quote my own reports as you presumed, Padma Prakash), a major portion of which are reports which appeared about the complex litigation in the United States and about Union Carbide operations there not here, their violations of safety norms, etc. There are two references to the *International Herald Tribune*, one to the *Washington Post*, one to *Newsday* and another to the *Asian Wall Street Journal* I personally conducted more than 250 interviews for the book—well, I guess that doesn't really qualify for a data base in Padma Prakash's perception After all I'm a prejudiced thick skinned objective reporter If it is Padma Prakash's point that I haven't read the national press on the issue then I must hasten to correct that impression

I think that her remark about betrayal reflects a viewpoint that is prejudiced basically, this says my view right or wrong, and is intolerant of others The book seeks to rouse public awareness to the dangers from haphazard industrialisation and misplanned development and the unscrupulous interests (including multinationals) that promote these pressures Bhopal may have happened in 1984 But it's there all around us lurking and waiting to strike Are we any more ready than we were five years ago? I think not And if Padma Prakash were able to turn her ideas and energies to that as much as to the present (and the past) then she would understand what I've been trying to say

SANJOY HAZARIKA

New Delhi

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ECONOMIC AND POLITICAL WEEKLY

Bofors Again

THE ghost of Bofors, which the Congress(I) had thought it had laid to rest with the highly contrived report of the so-called Joint Parliamentary Committee (JPC), has returned to haunt the ruling party The report of the Comptroller and Auditor General (CAG), which the government at last presented to parliament this week after dilly-dallying for three months, contains no startling new disclosures It was not, in any case, expected to throw any light on the one vital aspect of the Bofors deal which still remains to be ferreted out—the identity of the ultimate Indian beneficiary(ies) of the huge commission or bribe or whatever one chooses to call it that Bofors it is now abundantly clear, paid to clinch the 155 mm field gun deal All the same, the vicious reaction of Congress(I) spokesmen, such as that of the party's deputy leader in the Rajya Sabha, N K P Salve, makes it clear that the party leadership has been touched to the quick by the CAG's report

As the fact of underhand payments having been made has become increasingly difficult to deny in the face of evidence that has been unearthed despite the government's best efforts to suppress it, the Congress leadership has taken its stand on the argument that, be that as it may the decision to go in for the Bofors gun was nevertheless correct and that the objective of equipping the army with the best armaments, from among the choices available had not been compromised in any way What the CAG's report has now done is to question this presumption It has found that the procedures followed for evaluating the different offers and for field-testing the competing equipment had left a great deal to be desired It has also drawn pointed attention to the fact, already known, that all along, at different stages, the army establishment s preference had been for the French gun, Sofma, with the Bofors gun figuring as the second choice till February 1986 when suddenly the army headquarters reversed its preferences and the contract with Bofors was signed the next month The JPC had recorded at some length the then army chief General Sundarji s explanation for the change, but the CAG is sceptical about the reason advanced, pointing out that the intelligence about the supply of a certain type of radar by the US to Pakistan which according to Sundarji had overnight tilted his preference in favour of the Bofors gun, had in fact been available for quite some time The CAG s report also refers to the minimum acceptable standards for ammunition being diluted to accommodate Bofors On the subject of agents and commission the report draws attention to the fact that while the French firm manufacturing the rival gun had written to the government confirming that it had dispensed with the services of its Indian agent, the government had not sought and secured any such undertaking from Bofors in spite of the fact that the Indian high commission in London had informed the defence ministry that Bofors indeed had an Indian agent

What is as much, if not more, damaging to the government in the CAG's report are the clear indications it contains of efforts on the part of the government to keep back information from the CAG, indeed of veiled suggestions that since the Bofors guns purchase was being enquired into by the Joint Parliamentary Committee the CAG need not go into the matter at all and should consider his job done with assisting the JPC, provoking the CAG to write to the defence secretary in August 1987 thus "I need hardly emphasise that this [assisting the JPC] does not circumscribe our authority to go into this or any other connected transactions in the usual manner separately or later on, if considered necessary" A number of specific instances quoted by the CAG make it clear that the government throughout behaved as if it had much to conceal which it would rather the CAG did not go into

Having avoided making public the CAG's report for as long as possible the Congress(I) is now all for a debate in parliament on it Indeed a great deal of populist self-righteousness is being vented against the Comptroller and Auditor General—a mere bureaucrat ("that Charlie", as the deputy leader of the Congress Party in the Rajya Sabha put it) who has dared to contradict the conclusions arrived at by the elected representatives of the people as expressed in the report of the Joint Parliamentary Committee The fact is that the leadership of the ruling party is once again seeking, as it did earlier through the JPC, to use democratic institutions and processes to shield its wrong-doings This it is able to do time and again thanks to its huge parliamentary majority and thanks to the manner in which all Congress(I) functionaries, including the party MPs have been reduced to the position of loyal courtiers and retainers of the prime minister The whole episode thus also serves to underscore what is happening more generally to the political system itself—the progressive infusion of authoritarian content into the formally democratic shell

INDIA AND SRI LANKA

Dangerous Direction

NONE of the thirty heads of government he met in Paris nor Soviet president Gorbachev seemed to be worried about Sri Lanka and nobody asked us a question about it says our prime minister in the course of his press conference at the airport on his return from the trip that carried him to three capitals Paris Moscow and Islamabad This observation was made by the prime minister towards the end of his severely critical indeed bellicose remarks castigating Sri Lanka for the sloppy manner in which it was conducting its relations with India on the matter of the IPKF s withdrawal from its territory and sounding a warning that the situation in Sri Lanka was taking dangerous direction with the government there backtracking on contractual obligations to devolve power to Sri Lankan Tamils

Whether or not Premadasa is being sloppy in having made his correspondence with Rajiv Gandhi public it is a grave matter when the latter speaks of a dangerous situation and that too when in the same breath he asserts that no other country is worried what happens in Sri Lanka

Rajiv Gandhi is rattled that Premadasa is not responding to the Indian invitation to sit together to work out a time table for the withdrawal of Indian troops Instead he continues to insist that the date he had set for withdrawal namely July 29 must be observed India refuses to commit itself on a date for the withdrawal of the IPKF on the ground that sufficient devolution of powers to the provincial government of the north eastern region has not yet taken place, a position that Premadasa simply does not accept Sri Lanka takes the clear stand that under the India Sri Lanka accord the Indian troops went to Sri Lanka at the request of its president and were obliged to withdraw when requested by him and that the president s authority to ask for the withdrawal of the Indian troops was not in anyway tied to the pace of devolution and certainly not subject to the view India would take on whether or not devolution was taking place at the right pace The latter would virtually subject the Sri Lanka president s power to an Indian veto The Sri Lankan government s commitments with regard to the devolution of powers to provinces and in particular to the north eastern province according to this view stand on their own Rajiv Gandhi on the other hand takes the view that India is the guarantor of the devolution of power to the Tamils Although he doesn t quite say so it is clear that he would link the withdrawal of Indian troops to the progress in devolution and that too to the Tamils of his choice, namely, Varadaraja Perumal and company who came to power in the so-called free elections from which 90 per cent of the electorate stayed away

Whether or not the Indian troops stay on in Sri Lanka beyond July 29 the possibility of the current dispute taking dangerous directions has not to be averted The fond belief that the rest of the world will not lose sleep over what happens in Sri Lanka is pure and simple delusion which Rajiv Gandhi should get over the soonest The temptation to do something hasty must be resisted Sri Lankan Tamils may still want and may fight for an independent Eelam but not for a phony one ruled over by Indian stooges

POLITICS

Exporting Congress Culture

IF the west is accused of cultural imperialism we also have our own brand of cultural imperialism' It is no longer confined to the commercial endeavours of flooding south east Asian countries and certain parts of Africa with the tawdry Bombay films The culture of the Congress(I) is now being inflicted upon other parts of the world in all its pugnacious and lecherous forms

At the recently concluded International Youth Festival in Pyongyang in North Korea the Youth Congress(I) and NSU(I) delegates who naturally formed the bulk of the Indian delegation —gave a performance which could be described as a fitting representation of the culture of the ruling party Their passion for projecting the culture took various forms ranging from attempts to molest women delegates from other countries and public drunken brawls to physical assaults on women members of their own team Taruna Gurjar a joint secretary of the Youth Congress(I) who was a part of the team has submitted a written complaint to the prime minister alleging that another joint secretary of the organisation beat her up When she sought help from Mukul Wasnik the president of her organisation who was also a delegate at the festival he was reported to have advised her to keep silent as it was a 'family matter Margaret Alva the union minister of state for youth affairs, who was also in Pyongyang at that time, and was informed of the incident chose to remain silent According to Indian delegates who have returned from the festival, the Youth Congress(I) and NSU(I) hoodlums had earned such notoriety for their behaviour that participants from other countries shunned them all through the festival—an international testimony to the Congress(I) culture'

But whatever the Congress(I) high command chooses to do about the Pyongyang scandal—if anything at all—there are several interesting and intriguing questions about the whole affair First, the Youth Congress(I) and NSU(I) for several years now had earned a notoriety for its behaviour In 1984, during a conference in Nagpur the young Congress(I) ruffians went berserk and set a record of sorts which is still remembered by the people there The scenes of rowdyism which marked their canvassing for the coveted delegates tickets to the Youth Festival in Delhi prior to their departure should have been taken as a warning about what was to happen in Pyongyang For several days members of the Youth Congress(I) and NSU(I) fought among themselves for air tickets mobbed their leaders making a nuisance of themselves in the streets of Delhi

What is surprising is that the Congress(I) high command seems to show some discerning instinct in choosing delegates for the India festival held in western countries They may be favourites of some bureaucrats in the ministries but at least the latter ensure that they do not go around chasing women and getting involved in drunken brawls in the western capitals But when it comes to selecting delegates to Moscow sponsored festivals like the Youth Festival New Delhi leaves it to the local bosses of the Congress(I) organisations Incidentally this is not the first time that Congress(I) youth delegates have behaved in an obnoxious way at international conferences Earlier at a youth conference in Moscow they posed a menace to women delegates there The Moscow based youth organisations appear to take such things lightly In spite of a series of incidents of misbehaviour by Congress(I) youth hoodlums they are not reported to have taken up the issue with the Indian government Is it because of the policy to woo India as a so called non aligned ally?

There is a footnote to the Pyongyang incident The Youth Congress(I) president Mukul Wasnik issued a statement on July 13, in his capacity as chairman of the national preparatory committee for the Pyongyang Youth Festival stating that some incidents have been blown out of proportion, while certain totally baseless stories have also appeared in a section of the press'—thus trying to whitewash his cohorts Curiously enough the co signatories to the statement by Wasnik were M A Baby, a CPI(M) MP and D Raja of the CPI, both co ordinating secretaries of the national preparatory committee One wonders whether the Indian communist support to 'non-alignment' also embraces the moral values of the Congress(I) culture'

ASSAM

Repeated Folly

WITH the promulgation on July 6 of the Assam Disturbed Areas Act, 1955 and of the Armed Forces (Special Powers) Act, 1958 as

amended (in 1972) on July 12 by the government of Assam in Kokrajhar district, the prospects of a political settlement of the Bodoland demand appears bleaker than ever before. The promulgation of these acts also suggests that at least for the present the government has decided that there is no use seeking a dialogue with the leaders of the agitation and that more administrative action may yield results.

The notification under the Assam Disturbed Areas Act, 1955 is to remain valid for six months while that under the Armed Forces (Special Powers) Act 1958 is to remain valid for three months. Both the notifications are presently applicable only to Kokrajhar district though other parts of Assam especially the Udalguri sub division of Darrang district and parts of Barpeta and Nalbari districts have also been wracked by violence in connection with the agitation by the All Bodo Students Union headed by Upendranath Brahma (ABSU UB) for the creation of a separate Bodoland with additional safeguards for the plains tribals in the southern bank of the Brahmaputra and in the Karbi Anglong autonomous district.

It is true that there has been considerable violence in connection with the Bodoland agitation but the kind of problems that have given rise to the present situation in Assam have never been solved by taking recourse to these laws — a point that hardly needs to be made in the context of Assam and indeed of the region. On the contrary, the use of the special and indeed extraordinary powers available under these two acts may well become an end in itself — as has been the case in Manipur where the Armed Forces (Special Powers) Act has become a permanent feature. The abuses that these acts give rise to are now a matter of wide knowledge.

The irony of the present situation in Assam is that the leaders of the Asom Gana Parishad (AGP) had themselves severely condemned the use of these very laws during the height of the Assam agitation as leaders of the All Assam Students Union (AASU) and had accused the security forces of indulging in atrocities in the wake of the notifications under these acts in North Kamrup area in early 1980. There is no reason to believe that the wide and untrammelled powers under these acts will not once again be misused by the security forces in Kokrajhar area where already the state police functioning under normal laws has been accused of indulging in atrocities.

For given the reality in India any police force even under the strictest control needs watching since it already has extraordinary powers. Moreover in Assam already the state government has armed itself with special powers under the Terrorist and Disruptive Activities (Prevention) Act and hundreds of activists of the ABSU UB have been held without trial. The intensity of the attacks on the police forces (16 police personnel were killed in the just concluded 340 hour bandh) only reflects the hatred that the police forces have already earned in the Bodo dominated areas. With these additional powers (and the immunity against any action even if these powers are misused) such depredations will only increase, further intensifying the divide not merely between the police and security forces and the Bodo masses but also between the state government and a section of the people who the AGP leaders still claim (and probably also sincerely believe) are an inalienable part of the greater Assamese society.

The most self defeating aspect of these promulgations is that the AGP government seems to have given up at least for the present all attempts to deal with what is admittedly a very grave problem in a political manner. The oft repeated statements by the AGP leaders including chief minister Prafulla Kumar Mahanta that the demands of the ABSU UB are basically political now appear mere statements meant for record. The situation the AGP leaders appear to believe admits only an administrative approach. Such surrender of a political initiative on the part of a party whose very existence is deeply rooted in an agitation first perceived to be merely a law and order problem but later acknowledged to be political shows how far the AGP has travelled from its roots in barely three and a half years of political office. The tragedy is that just as the adversaries of the present AGP leaders learnt that mere counter violence could not break the back of the Assam agitation the AGP leaders too will have to learn their lesson in turn. But the costs of such repeated folly already very high in Assam is going to be even more prohibitive.

SOVIET UNION

Coping with Inflation

ABEL AGANBEGYAN, the Soviet economist supposed to be leading the think tank for Gorbachev spoke sometime back about making the rouble convertible though not immediately. Now another Soviet economist has appeared in the firmament of perestroika. He is Nikolai Shmelyov who accompanied Gorbachev to Paris a visit Gorbachev would not postpone for the sake of Gromyko's funeral.

Like Aganbegyan Shmelyov too speaks of establishing the market as a matter of survival for us but he realises that prices cannot be suddenly freed. So he calls for putting together some $ 30 billion to import consumer goods over the next two or three years' while more far reaching reforms have a chance to take effect. This in itself is important for Indian policy makers to note because with timely and appropriate steps it should be possible to meet part of this additional Soviet demand particularly if they are going to pay for it in convertible currency. But there is much more to it.

Shmelyov suggests raising the above money principally by borrowing against gold reserves but he also recommends stopping projects requiring costly imports a cut-back in the Soviet Union's international obligations such as subsidies to Cuba and resort to normal commercial bank loans.

Not only would Shmelyov import consumer goods in sizeable quantities and flood the Soviet market but he would also take special measures to revive Soviet agriculture so that Soviet imports of agricultural products especially foodgrains can be reduced if not altogether eliminated. Shmelyov recommends paying the Soviet farmers hard currency to spend as they choose for the surplus output they market and figures that by taking just this single measure it should be possible for the Soviet Union to save as much as $ 5 to 6 billion on food imports annually. As he puts it "more Soviet grown grains is lost now than imported, 15 per cent of meat produced is wasted, 60 per cent of fruits and vegetables'.

Shmelyov's programme for the revival of Soviet agriculture goes further. He would (1) give land to anyone wanting to farm— no ceiling is mentioned, (2) stop obligatory deliveries, (3) free most agricultural administrators and (4) reduce the gap between the prices farmers get and the prices they pay for supplies.

Basically as Shmelyov sees it the Soviet economic problem in the short run at least is that of inflation already running at 10 11 per cent per annum but threatening to go out of control and this he attributes primarily to large budget deficits. Shmelyov's biggest short term worry is some $ 225 billion in loose roubles' which he hopes to mop up with the help of imports as cheaply as possible. Every dollar's worth of goods would fetch 8 to 10 roubles at home and goods like personal computers would bring in 25 roubles for every dollar. Without mopping up these loose dollars, there could be astronomic inflation.

Shmelyov does not speak of aiming at the convertibility of the rouble. He evidently figures that only if the danger of domestic inflation is averted fully even though it means raising sizeable funds abroad will there be any chance for the Soviet economy to be stabilised. And only if first the economy is stabilised and freed from the threat of runaway inflation can the economic reform envisaged by Gorbachev's perestroika have a chance to take root. So the matter of convertibility of the rouble is likely to remain on the back burner for quite some time.

VEGETABLE OILS

Government Fails to Fulfil Commitments

SELDOM before has the vegetable oils scenario been so very reassuring as it is this time. Despite the drastic cut in edible oil imports from a record 18.4 lakh tonnes during the 1987-88 oil year (November-October) to an estimated 4.5 lakh tonnes in 1988-89, the prices of vegetable oils—edible as well as non-edible - are ruling well below those a year ago. Linseed oil is cheaper by 25 per cent, edible grade rice bran oil by 21.7 per cent, mahuva oil by 16.8 per cent, castor oil by 14.8 per cent, inedible rice bran oil by 13.9 per cent, refined rape/mustard oil by 13.5 per cent, cottonseed oil by 8.2 per cent, groundnut oil by 7 per cent and refined soybean oil by 4.5 per cent. Only sesame oil is quoted around its previous year's level.

The decline in vegetable oil prices appears all the more significant when seen in the context of the rise in the official wholesale price index—the 'all commodities' index being about 8.5 per cent up over the year. Among the various major commodities comprising the index, only oilseeds and edible oils are down over the year, by 20.5 per cent and 4.3 per cent respectively. Quite apparently, the cutback in edible oil imports has been more than offset by the impressive increase in indigenous supply. Oilseeds production this season is now generally reckoned at 165 lakh tonnes against 123.8 lakh tonnes in 1987-88 - up 33.3 per cent. This is the biggest ever increase in any single year.

Nobody really apprehends any shortage of vegetable oils during the traditional lean period (August-September) which could cause a worrisome rise in prices. In fact, for the first time in several years the current season is expected to end with a reasonably satisfactory carryover stock of seeds/oils.

Market psychology has been influenced in no small measure by the promising kharif crop prospects. Based on forecasts of a normal monsoon and good-to-ideal weather condition so far in the major kharif oilseed growing states of Gujarat, Andhra Pradesh, Karnataka and Madhya Pradesh, groundnut and soybean production could well surpass the 1988-89 record output of over 88 lakh tonnes. By the end of the first week of July, 32 out of the 35 meteorological sub-divisions were reported to have received excess or normal rainfall. According to knowledgeable persons in the oilseed trade, weather conditions this year so far have been more favourable than last year. Production prospects have also improved because the government has considerably strengthened its machinery for the timely supply of crucial farm inputs.

If oilseeds production turns out to be appreciably higher than in 1988-89, the government will have to think very seriously of evolving an appropriate strategy to deal effectively with the emerging situation. This will not only call for hard decisions covering diverse issues relating to prices, procurement, buffer stock and storage facilities, finance, imports and exports, but also bold steps to implement these decisions.

One hopes the government has learnt a good lesson from its acts of omission and commission during the current season. New Delhi cannot claim to have acquitted itself well in dealing with the issues arising from the record oilseeds production in 1988-89. It has failed to fulfil its commitments in regard to the two crucial elements in its integrated policy—buffer stock of 5 lakh tonnes of oil and the price band of Rs 20,000/Rs 25,000 per tonne in respect of groundnut oil as well as rape/mustard oil. The price of groundnut oil moved above the lower limit of the price band only after the bulk of the kharif crop had already been marketed. Mustard oil is still quoted Rs 2,000 to Rs 2,500 a tonne below the revised lower limit of Rs 17,000 announced at the end of June. And total procurement by NDDB and the state level agencies is estimated at 2.25 lakh tonnes in terms of oil which is substantially below the buffer stock target (inclusive of imported oil).

Apparently, while formulating its integrated policy for oilseeds/oils the government had not envisaged the kind of increase in oilseeds production that came about—by over 40 lakh tonnes in a single season—which reflects poorly on the official crop information system. The government could not therefore assess properly the likely impact of increased supply on prices as also the magnitude of procurement effort needed to implement the price band.

It is not merely that the government could not arrange procurement operations on a requisite scale to effectively operate the price band. If the government were earnest about the minimum price and it found that it did not have adequate infrastructural facilities and organisational capabilities to perform the task it could have easily sought the co-operation of the private trade to build large inventories in order to absorb excess supply by relaxing the stock limits under the storage control order supported by credit facilities. This it did not do.

In view of the continuing pressure of mustard oil supply, which is amply borne out by oil prices keeping substantially below the revised stipulated minimum of Rs 17,000 a tonne, causing considerable embarrassment to the government and the procurement agencies, there seems little sense in imposing any restriction on the use of this oil by the vanaspati industry. Why the government should have persisted with the curb—restricting the usage to 20 per cent of the industry's total oil requirements—is hard to appreciate.

Worst still is the government's decision to import one lakh tonnes of palmolein to meet PDS requirements. Import of palmolein is said to have been necessitated by the 'sharp rise in groundnut oil prices'. But this hardly makes sense. How can the government feel concerned about the price rise when groundnut oil prices are still well below the upper limit of the price band of Rs 25,000 a tonne?

The emerging edible oils scenario and the implementation of the integrated policy for oils have brought into sharp focus certain conceptual weaknesses in the policy (fixing a common price band for groundnut oil and mustard oil which have their own demand-supply equations because of marked consumer preferences is a good illustration of this) and infrastructural and organisational inadequacies for undertaking procurement on the desired scale.

Despite reassuring new crop prospects it would perhaps be too optimistic to expect oilseeds production to touch the Seventh Plan target of 180 lakh tonnes set for 1989-90. It would therefore be unfortunate if a further increase in production next season were to be allowed to develop into a 'crisis of plenty' pushing prices down to levels which adversely affect farmers' intentions to cultivate oilseeds. This would also be politically inexpedient in an election year.

While one cannot be too sure about oilseeds production in 1989-90, the government will need to keep ready with various policy options to deal effectively with the emerging situation. It will have to make up its mind on the pricing policy it wishes to pursue, measures which will be required to be taken to implement the pricing policy, strengthen the procurement machinery and creation of adequate storage facilities. Improved supply should provide a good opportunity to further reduce edible oil imports and step up exports.

INDUSTRIAL FINANCE

Free Flow

OVER the 25 years of its existence the Industrial Development Bank of India (IDBI) has played a laudable role in the industrial development of the country During the nine month period July 1988 to March 1989, overall sanctions and disbursements of the bank under various schemes of assistance aggregated Rs 4,746 5 crore and Rs 3 381 crore, recording a growth of 46 per cent and 27 3 per cent, respectively over the previous corresponding period Growth in sanctions during this period under the direct finance refinance and bills financing schemes was 80 7 per cent 30 6 per cent and 22 5 per cent respectively The total assistance outstanding at the end of March 1989 was Rs 15,643 9 crore

Industries which were sanctioned significantly higher amounts of assistance during July 1988 March 1989 included electricity generation, fertilisers textiles, miscellaneous chemicals electrical machinery sugar and rubber Assistance sanctioned to backward areas and no industry districts during the period amounted to Rs 1,812 crore as against Rs 1,208 8 crore during the same period of the previous year and its share in total assistance increased from 39 1 per cent to 40 4 per cent IDBI has also been paying greater attention to the needs of the small scale sector in the last few years At Rs 1,260 8 crore assistance to small-scale industries and small road transport operators through the IDBI s refinance scheme during the nine-month period under review registered a growth of 29 8 per cent over the previous corresponding period In addition the assistance sanctioned through various schemes operated under the Small Industries Development Fund (SIDF) recorded a growth of 29 6 per cent during this period to Rs 1 490 9 crore

With a view to extending a measure of protection to borrowers of foreign currency loans against exchange risk, a scheme called the Exchange Risk Administration Scheme was evolved by the three all-India financial institutions in respect of projects supported by institutional assistance and involving import of capital goods costing Rs 25 crore or more

In keeping with its promotional role, IDBI assisted 276 Entrepreneurship Development Programmes (EDPs), including 64 for science and technology entrepreneurs, 35 for women entrepreneurs and six for ex-servicemen The integrated scheme of assistance to women entrepreneurs which provides for identification, selection, training, consultancy and escort services, apart from term loan facilities on concessional terms, continued to receive increasing response Assistance to women entrepreneurs during July 1988 March 1989 rose to Rs 10 4 crore in respect of 323 units against Rs 3 5 crore sanctioned to 210 units during July 1987 March 1988

The offtake from the newly constituted National Equity Fund has been rather poor The equity fund with a corpus of Rs 10 crore contributed equally by the government of India and IDBI was launched to provide a fillip to the development of small industry The IDBI's report says that a review of the National Equity Fund was undertaken to widen its scope and coverage Accordingly, the scheme has now been extended to the State Bank of India and its associate banks With this extension the entire public sector banking network is now covered under the scheme.

In view of its expanding operations, IDBI had to raise substantial resources internally as well as externally Total internal resources raised during the nine month period July 1988 March 1989 amounted to Rs 4 971 2 crore comprising (i) increase in share capital contributed by central government of Rs 45 crore, (ii) borrowings/grants/deposits of Rs 2,409 1 crore, and (iii) internal generation of funds by way of repayment of past assistance, receipt of interest discount, commission and sale of investments of Rs 2 517 1 crore

As for foreign currency resources IDBI has so far contracted nine lines of credit from the World Bank group totalling US $ 520 35 million Since July 1988, it has raised a loan of 10 billion yen from a Japanese bank 250 million Deutsch marks from West Germany through a public bond issue and a second line of credit equivalent to $ 40 million from Nordisca Investeeringbannken (NIB) Further its drawals from the government against IDA World Bank credit lines aggregated Rs 80 9 crore during the period According to reports, IDBI would soon raise a credit of 20 billion yen in Japan and it is negotiating a large loan from the World Bank

While the operations of the IDBI have registered significant growth, the attention paid to the rehabilitation of sick units and technology upgradation appears inadequate As at the end of March 1989, IDBI had on its portfolio as many as 235 sick units involving outstanding term loans of Rs 484 crore Rehabilitation assistance during the period under review was a meagre Rs 16 3 crore to 21 weak/sick units Under the technology upgradation scheme, assistance sanctioned during this period amounted to Rs 5 1 crore to four projects against Rs 11 2 crore to three projects during the corresponding period of the previous year

TWENTY YEARS AGO

EPW, Special Number, July 1969

From Capital View by Romesh Thapar

It s been a long haul for Indira Gandhi Three years of self imposed indecision status quoism *ad hoc*ism frustrations and inhibitions and the inevitable loneliness at the summit of power Then suddenly as if out of the blue critical decision making – bank nationalisation

The Indira Gandhi who has been handling affairs since the end of the Bangalore AICC Session is in many important and significant respects very different from the woman the so called chieftains of the party have been dealing with—or pushing around' until now It s a wonder that the oldsters haven t collapsed from the shock because many of their comfortable confabulations are now a heap of wreckage

Everyone in the Capital is asking the same question what persuaded Indira Gandhi to choose this moment to launch her ferocious and sustained assault on the men who have been trying to hold her captive The pen pushers who have been projecting their own survival stratagems into the prime minister s reasoning conveniently forget that if she had so decided she could have continued as a leader subservient to the Syndicate or any other cabal of powerful managers

She decided to take an opposite path and for very good reasons The nation had to be lifted dramatically with courage to a new plateau of hope and aspiration or else the system would not have been able to cushion the mounting tensions The nationalisation of leading banks in the country marks the opening of a qualitatively new phase in Indian development

• • •

Brezhnev s broad hint that the Soviet Union would like to see the emergence of a collective security system in Asia and Nixon s visit to a number of south and south east Asian countries are indicative of the urgency with which the two super powers are approaching the problem of adjusting their policies and postures to the changed realities in Asia In all probability neither Moscow nor Washington has yet decided what its Asia policy in the seventies ought to be and the moves recently made by them may be viewed as part of the spadework that precedes fundamental changes in the Great Powers policies While the exploratory nature of Nixon s trip is obvious the Soviet Union also is trying to keep a number of trial balloons aloft at the same time and there is a degree of lack of finality in what various Soviet dignitaries have been talking and writing about Asia It is certain however that both perceive a number of new elements in the Asian situation and that both are anxious to revise their Asia policies in the light of the emerging realities

The three major factors making for a systematic change in Asian politics are by now clear First western influence which has for long been preponderant in large parts of Asia particularly in the regions bordering the Indian and Pacific Oceans is now declining and can at best play a relatively muted role in the affairs of the continent Second the Sino Soviet conflict is replacing the Soviet American and the Sino American conflicts as the central feature of power rivalries and strifes over a large area extending from North Korea to Mongolia to Afghanistan to India to North Vietnam Third some Asian countries particularly Japan are now ready and willing to play a greater role in Asian affairs The new system of Asian politics that will evolve in the seventies will be determined by all these three factors and the attempt of the Great Powers is to begin to influence the course of history in a manner that will best serve their national interest

NOTICE

It is hereby notified for the information of public that **BOMBAY BREWERIES LIMITED** who hold a COB Licence for setting up a Beer manufacturing unit at village Savla Dist Colaba in the State of Maharashtra propose to make an application now to the Central Government in the Department of Company Affairs New Delhi under Sub Section(s) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the change of location of the proposed undertaking to the MIDC Industrial Estate at Taloja Dist Raigad where they have been allotted the required Industrial Plot for setting up the unit The change in location of the undertaking has been necessitated by the earlier site being included in the Green Zone by the MBRDA Brief particulars of the proposal are as under

1	Name & Address of the Applicant	**BOMBAY BREWERIES LIMITED** Ewart House 22 Homi Mody Street BOMBAY 400 023
2	Capital structure of the applicant organisation	Authorised Share Capital R 75 00 000* Issued Subscribed Paid up Capital R 2 00 100
3	Management structure of the applicant organisation indicating the names of the Directors including Managing Whole time Director & Manager of any	Mr PY Navalkar Director Mr R S Shroff Director Mr S J Diwadkar Director
4	Indicate whether the proposal relates to the establishment of a new undertaking or a new Unit division	The proposal relates to the changing of location of the undertaking holding a valid COB Licence issued by the Government of India from Village Savla Dist Colaba to Taloja Indl Estate of MIDC which change stands approved by the Government of India Ministry of Industry vide their letter no 1(46)/88 IG cum IA I dated 23 5 89 subject to the issue of formal approval
5	Location of the new undertaking unit division	Taloja Industrial Estate of MIDC Dist Raigad
	Capital structure of the proposed undertaking	As given against 2 above
	Indicate the proposal relates to the production storage supply distribution marketing or control of any goods article indicate	
	Names of goods article	Beer
	Proposed licenced capacity	50 000 HL per annum
	Estimated annual turnover	Rs 5 0 Crores
	Indicate the proposal relates to the provision of any service state the volume of activity in terms of usual measure such as value income turnover etc	Not Applicable
	Cost of the Project	Rs 9 2 Crores
10	Scheme of finance indicating the amount to be raised from each source	The project cost would be met through Equity share Capital Debentures etc Equity Capital – R 99 lakhs Debenture R 92 lakhs Public Issues – Rs 736 lakhs TOTAL Rs 920 lakhs

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this notice intimating the [illegible] the proposal and the nature of the interest therein

for **Bombay Breweries Limited**

S C MARFATIA
(Secretary)

Dated this 21st day of July 1989

SINGARENI COLLIERIES

Applying Modern Technology

SINGARENI COLLIERIES has a tentative investment for the Eighth Plan period of Rs 2 358 00 crore to achieve a targeted production of 335 90 lakh tonnes in 1994 95, i e, the terminal year of the Eighth Plan Singareni Collieries has taken a number of steps to modernise their mines by introduction of a number of mechanisation schemes Load haul dumpers/side dump loaders have been successfully used in some of the underground mines for mechanised coal loading and it is planned to extend the same to other mines wherever feasible It was for the first time in the country that load haul dumpers have been utilised for extraction of pillars at GDK-9 Incline This technology would be extended further to other mines for speedy extraction of coal standing in pillars Singareni was the first coal company in India to introduce AM-50 road headers for drivage of gate road ways for forming retreat longwall faces in 1978 At present road headers are working in Kothagudem Yellandu Mandamari, Srirampur and Godavarikhani group of mines for formation of longwall faces The first longwall face was commissioned at GDK 7 Incline in 1983 using double ended ranging drum shearer, self advancing powered supports and twin chain armoured faced conveyor for winning coal The second face at Venkatesh Khani No 7 Incline was commissioned in June 1985 Singareni would like to progressively increase its mechanisation plans in the years to come by introducing 12 more longwall faces in Jawahar Khani 5, Godavarikhani-11A GDK 10A, GDK 9 Vakilpalli block Ravindrakhani 1A Ravindrakhani N1, Goleti 1 and 2 and Prakasham Khani 2 Inclines during the Seventh and Eighth Plan periods

Thick coal seams occurring at shallow depths are suitable for opencast method of mining Singareni Collieries has adopted this method of mining with advantage wherever conditions are favourable by introducing the heavy earth moving machinery available in the country The heavy earth moving machinery mainly used in the company's opencast mines are RBH drills up to 250mm diameter, rope and hydraulic excavators up to 5 cu mtr capacity, 50T dumpers, 400/410 HP dozers, scrapers, etc. A large sized dragline with 96 metre boom and 24 cu mtr bucket is in operation at the opencast mine at Ramagundam There are 8 opencast mines in operation and two more open cast mines are under construction at Ramagundam Some more opencast mines are planned to be opened in the near future It is also proposed to introduce 10 cu mtr shovels in combination with 85 tonne dumpers at the Manuguru Opencast II mine and RG OC III mine and the latest method of opencast mining with inpit crushing technology in conjunction with belt conveyors and spreaders at our Opencast II, Ramagundam

The Opencast Project II, Ramagundam is a major project planned by Singareni with a targeted production of 2 00 million tonnes per annum The project has been contemplated on Inpit Crusher Conveyor Technology for the removal of over burden as well as coal This project has technical and financial assistance for implementation on A to Z concept basis from the Federal Republic of Germany

No 3 coal seam at Godavarikhani 10 Incline underground mine is 11 metres thick Presently Singareni does not have an efficient method of extraction of such thick seams As such, it was planned to introduce French technology for mining the thick seams using a special method known as Blasting Gallery Method which will start production during 1989 90 The help of USSR experts was taken for preparation of a master plan for Godavari Valley Coalfield and also for preparation of technical recommendation and reports for PK 1 and 2 Inclines Goleti 1 and 2 Inclines and RK New Tech for achieving optimum production of coal It is proposed to utilise the assistance of USSR UK and Poland for development of new coal projects and sinking of deep shafts for underground mining

KALPATARU IRRIGATION SYSTEMS

Agribusiness Venture

KALPATARU IRRIGATION SYSTEMS, promoted by Kirloskar Consultants will produce and supply drip irrigation equipment The dripper or the emitter is the heart of the drip system There are two types of drippers One is imported from HB Plastics Austria, which manufactures a pressure compensating dripper which is self flushing and non-clogging This dripper gives a uniform discharge over a wide pressure range Further it goes into flushing mode every time the system is started which makes it non clogging Kalpataru are the exclusive dealers for HB Plastics, Austria The other dripper is an indigenously developed one It can be opened and cleaned whenever it gets clogged It gives a discharge of 4 litres per hour

Besides the drip system, Kalpataru has plans of entering into other agriculture-related fields like tissue culture, seed production and green houses technology Kirloskar Consultants has funded experiments on tissue culture at the Dharwad University The government has recently liberalised the imports of seeds The company will start with importing vegetable seeds and later on produce vegetable seeds on associate farms Tissue culture technology will come very handy for this venture Negotiations with some foreign seed producing companies are already under way Kalpataru also intends to bring in green house technology after appropriate modifications taking local needs into consideration

APSFC

Cumulative Sanctions Cross Rs 1000 Crore

ANDHRA PRADESH STATE FINANCIAL CORPORATION (APSFC) sanctioned an amount of Rs 169 5 crore during 1988 89 recording a growth rate of 29 per cent over the previous year The corporation disbursed an amount of Rs 113 24 crore against an amount of Rs 102 49 crore during 1987 88 The corporation's cumulative sanctions at the end of 1988 89 were Rs 1039 2 crore

The corporation has decided not to collect service charges for loans upto Rs 1 lakh to help the tiny sector units It has reduced the interest rate by 1 per cent for industrial units who employ women to the extent of at least 50 per cent of its employees with the objective of creating better job opportunities for women in the industrial sector The corporation gave priority to tiny and small enterprises It sanctioned an amount of Rs 124 48 crore to 3776 tiny and small scale units This constitutes 94 42 per cent of total number of sanctions and 73 41 per cent of total amount sanctioned During the year, the corporation sanctioned an amount of Rs 103 95 crore to 2283 units located in centrally declared backward areas Total sanctions to the industrial units located in all the categories of backward areas during the year were Rs 113 84 crore to 2472 units This constitutes 69 5 per cent in terms of amount and 68 8 per cent in terms of number

APSSIDC

Shifting Emphasis

APSSIDC has reported a corporate turnover of Rs 17 89 crore and agency turnover of Rs 32 89 crore in 1988 89 The corporate turnover sales from production units and supplies from the marketing assistance scheme are slightly lower than the levels achieved in 1987 88 The corporation s working results show a net loss of Rs 28 45 lakh the loss was Rs 45 23 lakh during 1987 88 While the corporation had in its earlier years covered several activities like capital participation construction of industrial estates supply of equipment on hire purchase supply of raw materials running production units and general engineering workshops and providing marketing assistance to small scale industries there has been a shift in emphasis and concentration on only raw material supply and marketing assistance following the suggestions given by PEMB in 1985 86

HYDERABAD ALLWYN

Decline in Profitability

HYDERABAD ALLWYN has completed the financial year 1987 88 (17 months) with a profit (before tax) of Rs 4 48 crore as against Rs 3 47 crore in 1986 87 (12 months) The company achieved a turnover of Rs 192 48 crore as against Rs 108 00 crore in the previous year At the end of financial year the book value per share and the earnings per share respectively stood at Rs 33 70 and 4 71 The company has declared a dividend of 15 per cent The company has registered growth in all its contract products viz buses *Shaktiman* cabs and floors and LPG cylinders Production and sale of refrigerators stood at 1 37 lakh Sales of watches have touched a level of 1 6 million compared to 1 1 million during the previous year The production and sale of watches would have been much higher but for the fact that the production and sale of quartz analogue watches was seriously affected by inadequate supply of a canalised item namely electronic circuit board to a tune of 0 2 million

COLGATE PALMOLIVE (INDIA)

High Profitability

COLGATE-PALMOLIVE (INDIA) s directors have recommended an issue of bonus shares on a one for one basis by capitalising Rs 15 72 crore out of the general reserves of the company They have also proposed a final dividend of 9 per cent a total of 45 per cent for 1988 The company has produced good working results Sales have amounted to Rs 206 07 crore against Rs 162 79 crore in 1987 and gross profit is Rs 46 03 crore against Rs 32 48 crore reflecting enhanced profit margins Net profit is Rs 21 24 crore compard to last year's Rs 16 81 crore in spite of higher necessary provisions, leaving as much as Rs 14 17 crore (Rs 8 80 crore) for transfer to reserves Total equity dividend is covered 3 times by earnings as against 2 40 times previously

The company received a licence from the government for producing 24,000 tonnes of fatty acids It has also registered with DGTD for production of 30,000 tonnes of toilet soap which falls in the category of delicensed industries Orders have been placed for setting up a fatty acid pland with a capacity of 20 000 tonnes and a toilet soap plant with an initial finishing capacity of 15 000 tonnes per annum These manufacturing facilities will be locatd in the Waluj Industrial Area at Aurangabad in Maharashtra where the company has already acquired a large plot of land to provide for present and future requirements Production equipment for toothpowder has been transferred from the Sewri factory in Bombay to the new factory built at Aurangabad in order to reduce congestion in the Sewri factory Production of toothpowder has commenced in Aurangabad from the beginning of this year and has been discontinued at the Sewri factory since December 1988 This shifting of toothpowder production from the Sewri factory to the Aurangabad factory has been done after obtaining necessary approvals from the appropriate government authorities and assurance has been given that there will be no retrenchment of workers at the Sewri factory as a result of this move The total capital investment in Aurangabad over the two year period 1988 and 1989 is estimated at around Rs 30 crore The company is in the process of setting up a modern R and D facility at Aurangabad which will undertake the development of new products and packaging in body cleaning and other related product categories During 1988 the company was able to generate export earnings of Rs 41 lakh Further export orders worth Rs 200 lakh booked in 1988 have been executed in 1989 The total foreign exchange utilised during the year amounted to Rs 707 lakh

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Note The Selection Committee [illegible] the right to consider the names of candidates who might not have applied if found to be suitable for the jobs
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Sd/
A P PANDEY
ADMINISTRATIVE OFFICER

Calcutta Diary

AM

The government consists of class enemies, but the external policy of class enemies, through some sleight of hand, gains acceptance as the right and proper policy for the Left to follow, even if it in effect means support to imperialist—and sometimes even fascist—causes, lock, stock and barrel

THE international fraternity of socialism has ceased to be no communist party is any longer its brothers keeper So the Left in our land need hardly feel apologetic over either the convulsions in east Europe or the tragedy in China If they nonetheless have to be shame faced in the current season it should be on account of other reasons reasons touching on developments nearer home A socialist or a communist is a fake if he is not in the first place against imperialism But how many within the ranks of the Left in the country have taken the trouble to go on record against the manner the national government has gone about and continues to go about to establish its hegemonic status against the regimes of Sri Lanka and Nepal? To argue that none others have protested will be fakery too A communist or a socialist is not supposed to hang with the conformist crowd he or she is expected to have his or her moorings in ideology He or she in other words must not be afraid of being marked out as a non jingo Instead there are torrents of convoluted sentences which place ambivalence on the pedestal heap after heap of ifs and buts absurd syllogisms in justification of equally absurd official standpoints It could be the unquiet memories of 1962 and the fear of being charged once more of treasonous conduct Or it could be a more straightforward sojourn towards the direction of Calvary socialist convictions are all right but look here Left ideology must not interfere with our pan Asian aspirations since our system is more progressive than either Nepal's or Sri Lanka's our troops and our intransigence will be good for the people in these minor countries it is our socialist task to teach them how to curtsey and obey it is as if we were selling coconut water which they could take it from us was good for their daughter

And it is assumed that protests emanating from these countries have no objective basis Since Nepal is an absolute monarchy its government has no business to demur if we insist on foisting unequal treaties on it Given its class alignments, our government in New Delhi cannot be faulted for the kind of argument it has mounted to it, the existence of one category of exploitation provides the rationale for the introduction of a second category In any case, the unscrupulous Indian traders and businessmen who, for decades on end have squeezed the Nepalese countryside dry can legitimately look for protection and support to the Congress(I) leadership there is a filial link This convenience is not available for the parties on the Left between the hucksters operating along the border and them it would be awesomely difficult to establish any ideological or class links It is rather classical fascism at work our government rails against Nepal it is our patriotic duty to forsake both thinking and ideology and follow blindly the government's line

In regard to Sri Lanka the ideological betrayal is of a much graver nature In tired sounding resolutions that faithfully follow one another the point continues to be made that the IPKF presence in the island is a blow against the United States navy's malevolent intentions apropos of Trincomalee This is tommyrot The IPKF went into Sri Lanka with the full blessings of the American administration which for its own reasons, will now [illegible] sent mind India's playing the role of regional constabulary It is unsporting on the part of the Americans but, as of now, they are not particularly interested in bailing out the purveyors of hackneyed phrases along Indian shores What get written or rather, re written are yesterday's resolutions by persons who are reluctant to face today's truth

Is there any means of walking away from the basic truth? In Sri Lanka, the Indian troops are an army of occupation The established government there wants it to go The official opposition wants it to go The insurgency opposition wants its departure The Sinhalese speaking never liked it the overwhelming majority of the Tamils now abhor it the Muslim community otherwise known as moors have declared that the country's problems cannot be resolved till as long as foreign troops interfere with the country's administrative processes Just ask the Left in Sri Lanka ask the Communist Party, ask the Sama Samaja Party or ask Vijaya Kumaranatunge's widow they are all agreed that no ground exists justifying the continued presence of the IPKF on Sri Lankan soil

The Left if they cannot afford to be honest with the world must at least be honest with themselves They have to admit at least to themselves that the people of Sri Lanka have the absolute right to abrogate the terms of an agreement initialled by their past president This is

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BOMBAY CALCUTTA NEW DELHI MADRAS
BANGALORE HYDERABAD PATNA LUCKNOW GUWAHATI

the core of national sovereignty It is here irrelevant whether Ranasinghe Premadasa is a skunk or a scoundrel whether his government is tottering whether he has pitched his demand in the manner he has because the Janata Vimukthi Peramuna has caught him by the throat It is equally irrelevant whether following the departure of Indian troops a dark night of anarchy descends on Sri Lanka It is a free people s inalienable right to choose anarchy if they so decide One who believes in exporting order and enforcing such order through the intermediation of foreign troops is no socialist The resolutions he composes cannot cloak the nakedness of the fact that his or her claim to belong to the Left is sheer flippancy or worse

Hypocrisy of course does not believe in conforming to the bounds of consistent behaviour Thus at one end the government in New Delhi will insist that the IPKF is for ever because Junius Jayewardene s commitment cannot be brushed aside by his successor and Indian troops will see to it that it is not brushed aside At the other end the same government has not the least doubt in its mind that as far as Nepal is concerned continuity in policy is an invalid concept way back in 1978 Morarji Desai might have agreed to sign with the northern neighbour a transit treaty which was separate from a trade treaty but indulgences of this nature are not to be permitted since 1989

Must the Left go along with such chicanery? Should these great issues which involve relationship and behaviour with foreign nations be left to the care of a handful of professional drafters of resolutions who perhaps for their private reasons seek the easiest way out and toe the government s line? The government consists of class enemies but the external policy of class enemies through some sleight of hand gains acceptance is the right and proper policy for the Left to follow even if it in effect means support to imperialist and sometimes even fascist—causes lock stock and barrel

On their way to the aspired popular democratic revolution the Left must have stumbled and stumbled badly Otherwise how does one explain such extraordinary developments as that while furious debates are pursued over the merits and demerits of perestroika and glasnost and a central committee can meet over and over to decide whether the students at Tiananmen Square were misled by alien ideology entirely on their own or whether their aberration is attributable to some confusion over ideology and praxis right at the level of the China party s leadership no notice is taken of the fact that we one of the poorest nations on earth have been the world's largest importer of armaments—amounting to, on the average Rs 7 000 to Rs 8,000 crore annually—for the past three years The prime minister, in his altogether freewheeling manner, brands as anti national whoever criticises the launching of the intermediate range ballistic missile Agni there is not one statement from the Left condemning the prime minister s wild charge To oppose Agni and similar other resource-wasting defence projects and to deploy the funds thus saved for expanding programmes for primary education irrigation health and nutrition could, in certain circumstances, be manifestation of the highest forms of patriotism But sorry, to utter this basic home truth is no longer considered to be a compulsory obligation of a Left ideologue

The Left are learning, and learning fast Once upon a time, it was a simple world, the Left consisted of star-struck idealists, they had their undeviant, undeviable morality, they could distinguish good from evil and vice versa The Left have left behind, or so it seems, those innocent days They can now discover streaks of good in evil And they compose their spidery resolutions accordingly

Is there a wrench in the heart? But, don t you know, the heart has ceased to matter

POTOMAC MUSINGS

Law's Aim Is Crime

Deena Khatkhate

The overweening position of lawyers in American society points to the way social and political relations have evolved in the US over the last 200 years It is bargaining all the way and constant striking of deals In this setting the lawyer is king

LAW is a binding covenant of a civil society because the condition of man is a condition of war of everyone against everyone The predators have to be reigned in by law this was the ancient gospel Reason is and should be the life of law If freedom is traduced, honour is besmirched violence runs amok and if human life is to be more than an interregnum between birth and death some codification of behavioural rules is necessary But we are not presently living in a Lockean world where the beginning of law marks the end of tyranny In these civilised times laws become a burden weighing us down at every stage of the conduct of our business Democracy they say is rule by law which gives you security certainty and a certain predetermined course for your actions Yes democracy is the antithesis of dictatorship with its law of the jungle And yet living here in the world's most enlightened democracy to which not only ordinary people like us but also the Gorbachevs and the Zhaos of the declining communist empires are paying homage we are constantly lost in the jungle of laws and their diabolical practitioners If you are born the lawyer is there like a doctor at the birth of an heir to the throne of the British empire, lurking in the distance to verify whether you are a test tube baby a baby of a surrogate mother or a baby by your legal father In a society where 50 per cent of new marriages are dissolved in two years, and 40 per cent in the next five years it is the lawyer who becomes your guardian angel and also godfather If you fall ill, lawyers hone their wits to save you, not necessarily from death, not even from the doctor's bills, but from his maltreatment if only he can prove it so You may be touched by his kindness when he tells you that you should not worry about his fees He is a do gooder with the interests of all at his heart You just give your consent and he will get you the compensation by proving in court that the treatment by your doctor or his coadjutors was wrong He will be modest enough to keep for safe custody one third of what he would collect from the doctor If you survive you will be a millionaire if not your progeny will inherit the windfall if your lawyer does not get into the act further to settle your inheritance

But you should not be a sloppy moron to shed tears for your doctor The doctor is safe with his malpractice insurance policy and an ever growing phalanx of lawyers has seen to it that they and those insured are well protected The laws devised are complex periphrastic institutional memory is non existent case law is law which changes with every case Lawyers are touchingly humanitarian, they have large hearts and have an abiding interest in those who are indicted for crime or fraud Isn t presumption of innocence a basic tenet of their praxis? A Chinese was indicted a few days ago for the old fashioned crime of murdering his wife for the old fashioned reason that his wife had a paramour A clever clever lawyer and a cleverer cleverer judge saw this tragedy through a prism of sociology and a bit of anthropology They put the blame for the murder on the cultural background of the husband and he was set free. The Chinese in China, perhaps because of their preoccupation with the struggle against Deng

and Li Peng, may not have heard of this verdict Otherwise they would have rediscovered their lethal weapons of punishing others

Lawyers in America have spawned such a strange culture that one benign soul despaired for the future for this society There is no tragedy without liability no vice without villains ' See what havoc this litigious frame of mind of the Americans has caused them There is a pregnant woman in California who guzzled half a bottle of bourbon every day during her pregnancy at the end of which she delivered a retarded child On the advice of her lawyer that it could be a product liability suit she filed a case in court against the makers of Jim Beam bourbon for failure to warn her that drinking bourbon during pregnancy would cripple her child There is another who smoked incessantly and was hospitalised with cancerous lungs Since the cigarettes she smoked caused the cancer she sued the tobacco company and was awarded $ 4 00 000 compensation A young couple rented an apartment in a condominium owned by an orthodox Catholic lady When she knew that the couple renting the apartment were not married she gave them notice to quit on the ground that an unmarried couple could not indulge in sexual activity at any rate in her condominium The couple was awarded handsome compensation

Bizarre is these cases may be such suits have been elevated to a fine art by lawyers and political interest groups to milk their rich clients For the lawyer who won the case of the cancerous woman against the tobacco company it was his investment in future tobacco litigation The Bhopal disaster might have killed thousands of innocent people in that unfortunate city but lawyers here were roused not by moral outrage not by the gigantic human tragedy they saw in it a golden opening for plunder and booty

Even the simple prank of a teenager is exploited to the hilt by the lawyers for self aggrandisement without any concern for its social and moral consequences A little black girl, intrepid callow and footloose absconded from house for fear of being smacked by her stepfather for absence from home late at night She allowed her imagination to run wild and told the police who found her on a heap of garbage that she had been raped by some white boys, beaten up and left unconscious The lawyers saw their chance for both money and publicity Knowing fully that the story was a fib, they created a brouhaha about race relations and made unsubstantiated charges against the defence attorney They almost succeeded but the truth was eventually out The girl made up the story to save herself from a battering But the lawyers, knowing the truth, did not relent and almost ignited a racial conflict

It is a great conundrum of American society why lawyers and their cohorts are dominating not only the government but all other echelons of the social structure Look around and you will see lawyers in the ranks of politicians, economists academics, sportsmen and even the scientists The overpowering position of lawyers points to the way social and political relations have evolved over the last 200 years The president of the United States seems all powerful and yet he is not the Congress is supreme and yet it is not, the Supreme Court is the apogee of justice and yet it is not Every organ of the government is a hostage to every other hand each one can be strong if it is allowed to be It is bargaining all the way which ultimately climaxes into policy for the nation for good or evil The government is only a mirror image of the society which is a potpourri of the diverse national and cultural groups which emigrated to America and they all survive through striking deals And deals have to be negotiated Social intercourse is conducted as a business If guns are sought to be restricted there is a lobby to fight the move if restrictive practices in the medical profession are to be torn down there is medical association to wage a battle to prevent it If some foreign country wants a change in US policy to favour it there are consulting firms galore staffed with people with talent for casuistry Even law and order is negotiable with those who break it with impunity Judges interpret the law but also encourage plea bargaining You commit a heinous crime, then make pleas for lesser punishment by squealing on someone or the other This is a game theoretic model of democracy, for every move of yours there is a countermove Who can do it better than a lawyer who like Scarlet pimpernel, is everywhere. The American educational system may not throw up scientists mathematicians, biologists but lawyers are cheaper by the dozens though the price they command defies the laws of demand and supply They have made a bargain out of everything your life your death, children, patriotism justice wife and marriage If you don't play that game, you will be thrown by the wayside In this kind of democracy the lawyer is a necessity Oliver Cromwell said of law and the lawyers

Necessity has no law Feigned necessity, imaginary necessities are the greatest cozenage that men can put upon the Providence of God and make pretence to break known rules by But then who called Cromwell a democrat ? Law and lawyers and part of democracy's kit Those innocent Chinese students slaking their thirst for democracy were shouting hoarse in Tiananmen Square in Beijing for "law and not party If only they had known the worlds greatest democracy with its laws and what the lawyers have made of it all they might perhaps have asked instead for not party, not law not rarefied democracy but reification of democracy"

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Repression in Kashmir

A G Noorani

Cases of police atrocities are being reported with increasing frequency in Jammu and Kashmir The national press and civil liberties groups appear to be unaware of this situation

WE are by now used to harrowing stories of torture and faked encounters in Punjab but the national press has been sorely remiss in not reporting police atrocities in the state of Jammu and Kashmir The task is being nobly performed by the daily *The Kashmir Times* edited by Ved Bhasin a journalist highly respected for his integrity and fearlessness

The issue of June 10 1989 carries a report from the paper s Jammu correspondent on the death of Sarabjit Singh in police custody He was one of the two alleged terrorists arrested in the evening of June and was allegedly meted out torturous (*sic*) death in the police custody though the interrogators claimed that he committed suicide He was brought dead to the hospital where his post mortem was conducted The correspondent adds Initial investigations revealed that the youth was tortured to death with multiple injuries on his body The government alleged that he had consumed some poisonous substance as a result of which he died A magisterial inquiry was ordered The truth will be known

The father of the deceased Sher Singh alleged torture and said that the body was blackened by it It bore marks of multiple injuries and his knees chest and legs had the signs of severe torture Isn t that enough proof of what the police had done to my son?

In the Kashmir valley similar charges have been heard On June 5 the People s Conference chairman Abdul Ghani Lone alleged the systematic practice of torture in interrogation centres according to *The Kashmir Times* Srinagar correspondent Jafar Meraj who bears the torch of his late uncle Shamim Ahmed Shamim Lone urged the central and state governments to find some political solution to the problems facing the people instead of resorting to brutal methods

The correspondent reported

> Lone charged the government with having hatched a conspiracy to make the arrested youth physical and mental wrecks by subjecting them to unprecedented physical and mental torture, both
>
> He said that most of the arrested youth had fallen prey to one or the other disease and in this connection cited several examples Habibullah Mir of Lonehari village in Handwara had developed heart trouble in the interrogation centre and was lying in a critical condition in Soura hospital Ali Mohammed Mandoo of Gompora in Handwara presently lodged in Hiranagar jail had lost his mental balance and had virtually turned mad Both the legs of Abdul Ahad Butt of Wadipora Handwara had been broken in the interrogation centre and he was now fast losing his sight also Mehmood Ahmad Sagar had developed heart trouble and none of his family members was allowed to see him nor was he being given any medical treatment
>
> Mr Lone also doubted the government s claim about the alleged escape from police custody of the two prominent militants Mohammad Ahsan Dar and Mohammad Naveem Butt and said there were apprehensions in the minds of the people here that both had been physically liquidated by the police

The charges are as grave as they are specific If the people of the valley are not to feel alienated from the rest of the country a citizens committee set up by the PUCL or PUDR or jointly by both should visit the state and report on the civil rights situation in both the valley as well as in Jammu

Consider another detailed report in *The Kashmir Times* of June 2 by Arun Sharma

> All the persons arrested from time to time in the state on the charge of being enemy agent have been awaiting judicial trial for the last several years
>
> Even after several years of their arrest the police has yet to present challans against them in the competent courts The accused in almost all such cases have however been bailed out by the courts
>
> Though released on bail a number of the alleged enemy agents who claim themselves to be innocent are awaiting judicial trial of their cases to remove the stigma However many others are reported to have crossed over to Pakistan after securing bail from a competent court and yet the police appears to be in no mood for presenting challans against the persons to whom it had once accused of being enemy agents
>
> Such is the sordid state of affairs of the law and order agency in the state

Sharma s despatch is detailed and sets out the facts fairly enough The net result he says is that not one alleged enemy agent has so far been convicted by the court either for want of police challan or prosecution evidence Meanwhile no doubt the accused languished in jail till they secured bail What happens in jails we all know

In a case decided on August 11 1988 (Mohan Lal Sharma vs State of Uttar Pradesh) by the Supreme Court the chief justice R S Pathak remarked we may note that we are gravely concerned at the increasing number of deaths which are reported of persons detained in police lock ups The court directed the CBI to make a thorough and detailed investigation It rejected the magistrate s report as unsatisfactory The court acted on a telegram from the petitioner saying that his son Sanjay aged 17 years was arrested by the Agra police on October 10 1986 in the morning He was not produced before a magistrate the next day as the constitution requires He alleged that Sanjay was murdered by the police in the lock up

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General Editor Ashok Mitra

Lopsided Growth

Political Economy of Indian Development

by **Pradhan H Prasad**

[illegible] essays in [illegible] the forces which have acted as [illegible] development The Achilles heel of Indian development plans the author [illegible] their preoccupa[illegible] investment planning to the neglect of institu[illegible] Within this broad framework the author discusses a wide range of [illegible] macro economic plan models choice of techniques the persistence [illegible] production [illegible] agriculture growing political assertion by the middle [illegible] of agrarian [illegible] and uneven regional growth

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THE WORKING CLASS

Lessons of Hindustan Lever Lock-Out

Radha Iyer

The year-long lock-out at Hindustan Lever's Bombay factory, which was lifted last month poses a crucial question for trade unions can unions contain or reorient the development of larger economic forces in society? If not, then what policies ought unions to adopt during major phases of industrial transformation such as the present one? Is surviving to fight another day the only available option?

AMONG the recent agitations on the labour front the lock out at Hindustan Lever was a major one Apart from the fact that it involved 3 000 workers and one of the largest multinational companies and stretched a full year the real significance of the lock out lay in the fact that in it were crystallised the major issues confronting the trade union movement today

Indian industries in general have been going through a phase of restructuring both internally and externally The post independence period saw the expansion and consolidation of a large organised private sector under the aegis of the licence and permit raj Protective state regulations nurtured Indian industries and helped them strike roots both in terms of technology and markets All this gave birth to a stable skilled and organised workforce This workforce was protected too Laws governing arbitrary hiring and firing reckless closures retrenchments and lay offs governed the organised workforce

As industry outgrew this phase it began to seek optimum utilisation of capital and labour The small scale sector grew in a big way with the help of numerous concessions and exemptions from licensing laws excise duties and other industrial regulations The organised industrial sector began to farm out unskilled and low technology jobs to the small sector All this gave rise to a large unorganised workforce comprising workers in the labour intensive small sector and the contract workers under labour contractors The large industries retained the high skill, high technology jobs and the skilled workforce The small sector was exempted from the protective labour legislation Here hiring and firing retrenchments closures and lay-offs were simple Employment of contract labour came to be legalised With this, Indian industry was poised for further radical changes The licence and permit raj has given way to liberalisation and protection to competition Mergers, amalgamations, takeovers, diversifications and geographic relocations have become the characteristic features of this phase of industrial development For the labour these changes have had the most far reaching consequences throwing out of gear established trade unions and protections gained through years of struggle leaving them disoriented and groping for new ways and methods of protecting their interests

Between 1947 and the late sixties the principal pre occupation of trade unions was to fight for rights and privileges The next phase from the late sixties to the late seventies was a turbulent phase in industrial relations with numerous prolonged strikes and lock outs throughout the country The focus of these struggles was increase in wages, and invariably the increases in wages (often in the form of incentives) came to be traded off against rise in productivity and introduction of new technology in the organised industries Since the eighties, however, the primary pre occupation of unions in organised industries has become protection of jobs and the interests of workers in the face of inevitable job losses

Sub Contracting and Dispersal of Production

Hindustan Lever was a part of these processes and so was industrial relations in the company During the mid fifties and sixties the company grew as the premier unit in the field of soaps detergents and edible oils During this period trade unions were formed The 1956 settlement between the union (then known as the Lever Brothers Employees Union) and the company (then known as the Lever Brothers (India) Private Ltd and the Hindustan Vanaspati Mfg Co Pvt Ltd) classified jobs after evaluating them Each job and operation was classified on the basis of the job content, the mental ability required to perform it the physical exertion responsibility, education training and so on, and on that basis grades were evolved and pay fixed Earlier in 1953 Standing Orders came to be introduced, laying down the conditions under which employees services could be terminated.

By the seventies the company began to develop the Garden Reach factory at Calcutta as the second most important plant after its Bombay factory It also developed the Ghaziabad factory and shifted part of Vim and vanaspati production there The expansions were slow and the pace steady The thrust of the changes during this period was in the production processes in the Bombay factory During this time contract labour came to be employed in a big way in the Bombay factory Regular maintenance jobs cleaning jobs electrical and engineering jobs within the factory came to be handed over to labour contractors Around the mid-seventies the company is estimated to have employed nearly 800 contract labours at the Sewree Factory which was a little less than one third of its workforce During this time the contract labourers too began to organise and demand absorption, which issue became the most sensitive issue in union management negotiations At this stage the permanent employees through their union took considerable interest in the absorption of contract workers on the permanent rolls of the company The company absorbed a handful of contract workers and signed a settlement with the union that employees' children would be given preference in the matter of employment With the jobs becoming hereditary so to say the union lost interest in the absorption of contract workers

From 1977 onwards the company began to sub contract production in a big way This was quite a different thing from employing contract workers on the factory's premises Sunlight soap noodles came to be sent out to small factories for cutting and packing Inserting of toothpaste in tubes was sub contracted The company began to plan sending other products like Lifebuoy and toilet soap noodles to small factories for cutting, stamping and packing This threatened the jobs of the permanent workers directly 1980 saw a 40 day strike by the workers on the issue of sub contracting of jobs In 1980 came the new industrial policy statement Winds of change began to blow and the new catchword was modernisation Geographical relocation became an important aspect of growth It became clear to the company that it must take optimum advantage of these changes in the industrial climate Modernisation meant reduction in the workforce In 1981 the company stopped all new recruitment at its Bombay factory This policy continued, except for a small break in 1985 when about 58 60 workmen were recruited

Taking advantage of the concessions to backward areas for new industries, the company set up detergent plants at Jammu and in Chindwada around 1980 The Tiruchi plant which had been closed was restarted around 1978 The company also set up a vanaspati plant at Shamnagar However due to the boom in the detergents and soap industries it was not yet necessary to actually reduce the output at the Bombay factory In fact 1985 was the peak production year for the Bombay factory when production levels were the highest since the commencement of the factory The company went ahead with the modernisation of its Bombay factory investing nearly Rs 30 crore A new cogeneration plant was set up All this required extensive redeployment of existing workers

Good Bye to Participatory Management

As pointed out earlier the settlements arrived at during the first phase had detailed strict job descriptions gradations and norms These settlements continued to operate and were binding They became major constraints in redeployment of labour The present situation required flexibility in shifting workers from one job to another and one department to another A showdown over this issue could lead to work stoppages which at that stage the company could ill afford as alternative production facilities had not been organised fully and markets were becoming increasingly competitive Modernisation could not be effectively implemented by antagonising workers yet it had to be done In industrial relations after 1981 the company adopted a policy of settling all issues with the union Participatory management became the keyword in industrial relations After 1964 there had been no wage revision in the company for ten years as the issue was pending adjudication before courts The next wage revision which was due in 1979 was settled bilaterally after agitation by the union In 1981 the workers agitated for bonus as over 50 per cent of the workers were outside the scope of the Bonus Act their wages being above Rs 750 per month This issue was also settled

In 1982 a new wage revision became due This time the company had decided to push the modernisation issue and barter modernisation and redeployment in exchange for wage increases The charter was settled in September 1983 This settlement was qualitatively different from the previous ones inasmuch as for the first time the union agreed to modernisation on a limited scale and agreed to redeployment of 150 workmen in the modernised departments by mutual agreement (The actual redeployment however was much higher as nearly 200 workmen were redeployed due to modernisation and 300 due to closure of certain departments) *At this time it appears that the company had taken a long-term view of modernisation and had long term plans stretching over 7 to 10 years—with another agreement like the 1983 settlement and the union agreeing to further modernisation and reorganisation with another 300 350 workers due to retire and with a voluntary retirement scheme inducing some 500 to 700 workers to go So industrial relations could have gone along in conformity with the modernisation restructuring and geographical relocation which was taking place in a big way*

Quickened Restructuring

By 1984 85 the pace of restructuring quickened The company had completed the acquisition of Lipton India by May 1984 It planned to transfer production of all food products to Lipton This meant closure of the vanaspati department in the Bombay factory Between 1985 and 1987 the company set up a synthetic detergent factory at Sumerpur in UP a toilet soap factory at Orai also in UP the installed capacity of the synthetic detergent factory at Chindwada was increased a processed vegetable oils plant at the Kandla Free Trade Zone it took on lease Union Home Products at Mangalore for manufacture of soaps and it acquired Stepan Chemicals and another company known as Shekar Engineering Industries Later the Board of Industrial and Financial Reconstruction directed the company to take on lease Sunrise Soaps and Chemicals at Rajkot The company had also set up a unit at Kamgoan All this was in the field of soaps detergents and vegetable oils the industries to which the company had belonged in the past Besides these the company also set up a garment factory at MEPZ and a functionalised biopolymers plant at Pondicherry for manufacture of footwear The Haldia factory which was basically a chemical factory now came to be expanded for the production of Zeolite and synthetic detergents Except the Haldia project most of the other projects have already been completed or are likely to be completed and commissioned by the end of 1989 and the beginning of 1990

By combining restructuring with participative management', i e, by a process of bargaining for modernisation and redeployment, introducing voluntary retirement schemes and banning all new recruitment in place of retired employees the company could have brought down its workforce in the Bombay factory to 1 000 by 1990 91 i e by two thirds of its present strength without any major showdown with its workers But by 1986 the company s products began to face serious challenges in the market Nirma took on Surf then the bar soaps came to be challenged, and with Nirma coming out with soaps along with other smaller companies the company seems to have been gripped with a sense of market insecurity Added to this [illegible] certain policies and perceptions of the situation by the union It is necessary to pause here and turn to the union and the developments within it

The Union Distinctive Features

Two important features of the trade union organisation in the company stand out clearly One the company has always had an internal union The union was never part of any general union at any time since its inception Second the internal leadership was invariably influenced by persons who politically sympathised with the most radical trends in the communist movement in the country In the fifties G Sundaram of the undivided Communist Party was the general secretary of the union He was also the most militant and influential trade union leader then During the early sixties even though the union president was Raja Kulkarni of INTUC the internal leaders and other office bearers continued to be persons influenced by communists When the CPI split CPI(M) leaders emerged as militant left leaders and CITU s influence spread in Bombay The Hindustan Lever Employees Union came to be presided over by the leaders of the CITU Then CITU s influence in the trade unions waned and Bombay was gripped by the Samant phenomenon By 1981 D R Samant became the president of the union but at least some of the internal leaders were either influenced by or sympathetic to the CPI(ML) All this had left the union with a certain strong tradition and ethos Compared to other unions it was democratically run and at all times relatively free of corruption Unlike many of the newer unions in the city it was run at all times by persons who knew the basics of collective bargaining and trade unionism and to that extent were more professional Above all whatever internal disagreements and contradictions that existed within the union and its active members these never led to a split in the organisation Hence there was never any overt trade union rivalry amongst the workers

By the early eighties it became clear to the union that job losses were going to emerge as the most important issue In 1983 it was compelled to give some concessions regarding modernisation and redeployment In 1986 the company decided to reduce the production of 'Rin' soap by more than half The leaders at the Bombay factory were once again compelled to negotiate the issue and settle it in return for certain concessions in the form of grades and increments It may be mentioned here that while the leaders of the Bombay factory against whom the company carried out a hysterical campaign during the lock out, calling them extremists, naxalites and what not, settled the issue of partial closure of the Rin

department, in the Garden Reach factory in Calcutta, where also the production of Rin came to be stopped partially, the workers went on a prolonged agitation leading to wage cuts, dismissals and retrenchment notices by the company which was turned down by the government. In both cases the company achieved what it wanted objectively namely, cutting down Rin production. In Bombay it was organised and smooth while in Calcutta it was through a show down with the union and workers.

Fear of Federation

By now it was clear that even if the restructuring of the company was smooth and done in a manner acceptable to the workers presently employed at the end of it all the bargaining power of the union would be drastically reduced. The contribution of the Bombay factory would be reduced to 25 per cent of the company's profits at its best. It was at this stage that the union decided to activise the federation of Hindustan Lever employees. The federation had already existed but had been ineffective. The Garden Reach factory which was the second largest had been outside the federation. The Bombay factory union established links with the Garden Reach factory. The Bombay factory and the Garden Reach factory together accounted for nearly 70 per cent of the company's production. The federation meetings in 1987 were euphoric. When the company imposed wage cuts and dismissals in Garden Reach the Bombay workers went on a token strike and organised protest marches to the head office of the company.

A strong federation was considered to be fatal by the company. It could be a major obstacle to its restructuring plans. The nature of the company's products was such that it could not give out major production processes to smaller factories. Superior technology and economies of scale were needed to maintain its lead over its rivals in the market. It was therefore necessary for the company to set up its own capital intensive plants in backward areas with cheap labour, state incentives and savings on transportation costs. A federation would mean rise in wages and more bargaining power for the workers all over the country. Caught between market insecurity and the federation factor the company seems to have decided to go in for a decisive show down with the Bombay factory union.

The first signs of this change in strategy became clear with the changes in top factory management personnel. Adherents of 'participative management' ideas gave way to hardliners in industrial relations. From 1987 the company began preparing for a show down. Production was diverted to other sources and units. The pace of subcontracting production to other industrial units was stepped up. In 1987 Rin production was stopped completely.

The immediate reasons for the lock-out were quite obviously provocative. In April 1988, the company directed some of the workers who had been rendered surplus due to closure of Rin department to do 'mathadi' work, i.e., loading and unloading work. Loading and unloading work in Bombay is regulated by the Maharashtra Hamal and Other Manual Workers (Regulation of Employment and Welfare) Act under which Grocery Markets and Shops Board for Greater Bombay is established. The 'mathadi' workers are workers registered with the board and their service conditions are regulated by the board. The Mathadi Act prohibits employment of non registered workers where registered workers are allotted by it. The company's demand was bound to be resisted and the company knew it. It may be mentioned here that the negotiations for wage revision had come to a dead end. The last wage settlement expired in June 1986 and a new settlement was being negotiated. For three years the company procrastinated over the issue. During the negotiations held in this period the differences had been reduced to minor issues. On all major issues it had been possible to arrive at some understanding. Yet the finalisation of the settlement dragged on leading to discontent amongst workers.

Calculations Gone Awry

With effect from June 21, 1988 the company declared a lock out. The principal object of the lock out was to smash the union as an organisation. The decision to lock out was founded on three important calculations. First was the company's assessment of its workers. The company did not think Hindustan Lever workers were capable of a prolonged fight. A few months of economic hardships would compel them to return to work even if it meant bypassing the union and the leaders. If a large group returned the company would have locked out the rest for as long as it wanted since the internal restructuring had made it possible to carry on profitably with a minimal workforce. Even the most highly paid worker is in the final analysis a worker. To succumb and return bypassing the union is always a painful decision which every worker will try to avoid as far as possible. And none of the workers returned.

The company's second calculation was that there was bound to be some violence somewhere. Once this happened all the leading union activists could be implicated in criminal cases and detained in custody. The workers would then be without leadership and direction. The focus of the union's activities would shift from tackling the lock-out to defending their leaders. The company carried out a high pitched propaganda against the important leaders in the press and particularly in government circles branding them as extremists and naxalites. In retrospect it appears that this was done so that if the leaders came to be arrested getting them released on bail would become extremely difficult. Even the chief minister made statements at his 'Janata Darbars', press conferences and public meetings that he would not intervene unless the workers had rejected the naxalite leadership. This calculation too failed. The company's aggressive campaign had made the union leadership extra cautious about violence. For this it was essential that the active workers did not get restless and go beyond the bounds of organisational discipline, which invariably would happen after a few months. It was essential that they were kept pre occupied. It was at this stage that the union quite accidentally struck upon the idea of manufacturing and selling a symbolically parallel detergent powder which was given the brand name Lock Out. This move sustained the union in several ways. It kept the active workers pre occupied with some activity and helped maintain union discipline. It created a great deal of sympathy amongst workers in the other factories in Bombay who enthusiastically welcomed Lock Out detergent. And it had great propaganda value amongst sections of the middle classes and the press.

The company's third calculation was that a rift between Datta Samant and the internal leaders given their totally different perceptions and policies was inevitable at some stage. Between Samant and the internal union Samant was the lesser evil in the company's perception. When the rift occurred the company would deal directly with Samant. That would affect the credibility of the union and the internal organisation would become ineffective. This calculation too failed.

Stalemate

By the end of December 1988 the lock out was reaching a stalemate. In December 1988 the company closed down its catalyst plant. Even though the company had arranged alternative sources and means for keeping its production lines going the company was in no position to do without the Bombay factory altogether for an indefinite period of time, more so when competition in the market was very keen. The union was also under pressure by this time but in December 1988 the workers re elected the same internal leaders and decided to stand by the union. This boosted the morale of the union but the pressure remained.

In February 1989 the company introduced a voluntary retirement scheme. The company calculated that workers would start leaving on a big scale and the union would buckle under the pressure of this large scale exodus. The retirement scheme however proved to be another shot in the arm for the union. For all those workers

who had lost their staying power, this was an opportunity to get out honourably About 450 employees out of 3 000 accepted voluntary retirement As a result those that stayed on were workers who were willing to see the lock out through till the end

It was only at this stage that the company began to seriously seek the intervention of the government for resolving the dispute Until then though numerous discussions had been held before the labour commissioner most of them were at the instance of the union and the company did not make any serious effort to meet the union half way By the end of May the chief minister began to take interest in the lock out for the first time By this time numerous litigations came to be filed in various courts regarding different aspects of the lock out and there was the added fear that somewhere some court order may go against the company The workers coming back to work waiving a court order would have been an impossible situation for the company

Since the thrust of the lock out was to smash the union there were hardly many irreconcilable points when it came to negotiations In June 1988 at the commencement of the lock out the union had approached the Labour commissioner for intervention At that stage the company had imposed nine conditions for the lifting of the lock out Of these the first one was that the 1983 settlement would be adhered to and the second the 1985 production levels would be maintained Others related to redeployment maintaining discipline in the factory and performance of jobs pending fresh job evaluation Of the nine conditions the union had accepted seven The one unacceptable condition was linking wages to productivity This was opposed by the union Such a practice does not exist anywhere in the country and is against the well established principles of region-cum-industry as the basis of fixation of wages The other condition related to permanent workers doing mathadi' work which the union had agreed to resolve in consultation with the Mathadi Board The company's demand for withdrawal of court cases the union was willing to consider upon some part of the lock out wages being paid to the workers

About Turn

After one year of lock out the chief minister himself came out firmly against productivity linked wages The company now insisted that they would not sign any settlement until the composition of the union committee had been changed and the president Samant the vice president and the general secretary had been excluded Finally even on this point it had been agreed that these three persons would not sign the settlement At this stage the company did a complete about turn It abandoned tripartite negotiations and settlement altogether and made one last ditch attempt to throw the union out of gear From June 21, 1989 it decided to unilaterally lift the lock out, bypassing the union altogether The pre condition was that the workers were to sign an undertaking in the form of an individual settlement The terms of the settlement were substantially what had been agreed to by the union in June 1988

Once again the company's calculation was that a big section of the workers would immediately rush to the factory gate Others would oppose the workers going back under the conditions imposed by the company and there would be confusion and chaos Police had been mobilised in a big way at the factory On the first day of the lifting of the lock out the union too had fixed a general body meeting All workers reported at the general body and none at the factory gate The second day too none reported The third day onwards groups were formed and workers reported in organised groups At the general body meeting, workers decided everyone should go back and continue with the cases and challenge the individual undertaking, in the form of settlement taken by the company Though all workers returned, the union as an organisation had not been compelled to sign any compromising settlements At the end of it the union remained and the leaders remained Except one leader none had been dismissed The litigations continue For the worker it was no doubt a big come down to have to submit to individual undertakings But looked at from the point of the purpose for which the lock out had been imposed namely, to smash the union organisation things have come a full circle Three days after lifting of the lock out there was a morcha to the head office over a small issue

Only Option?

The restructuring of the company which was the context of the lock-out continues even after the lifting of the lock out More than eight departments have been closed since then The hard soaps and toilet soaps departments are partially closed and the process continues But the wounds inflicted by the lock out are likely to fester for a long time

The Lever lock out poses a crucial question for the trade unions viz, can the trade unions which are merely defensive organisations of workers within the existing framework contain or reorient the development of larger economic forces in society? The answer is an obvious no Then what policies ought unions to adopt during such phases of transformation as the present? Is surviving to fight another day the only available option?

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Politics of Electoral Rolls

Congress (I)'s Two-Faced Role

On the issue of revision of electoral rolls in Assam, the Congress(I) is playing a two-faced role—appeasing Assamese sentiment in the Brahmaputra valley and simultaneously stoking the apprehensions of the so-called 'illegal foreigners'

THE current controversy over the revision of electoral rolls in Assam shows how there are virtually no limits to the cynicism of the Congress(I) which is playing a double faced role—of appeasing Assamese sentiment in the Brahmaputra valley and simultaneously inciting the passions and apprehensions of those sections of the state's population viewed by the majority of the people in the Brahmaputra valley as 'illegal foreigners'.

The revision of electoral rolls now going on according to a set of guidelines provided by the Election Commission has been attacked by virtually all opposition parties in the state—the Congress(I), the two factions of the United Minorities Front (UMF), the Congress(S), the CPI(M) and the Janata Party. Though all these parties have formally lodged protests with and submitted memorandums to the Election Commission, it is the protest by the Congress(I) (which has also threatened to seek legal redress in the Guwahati High Court) that deserves a closer examination.

The guidelines were issued by the Election Commission which, given the state of the institutions in the country, surely could not have acted without clearance from the union home ministry (read Congress(I)). And yet, the Congress(I) has been among the most vociferous in protesting against these guidelines. The Asom Gana Parishad (AGP) government which assumed office on the wave of the euphoria generated by the signing of the Assam Accord is sitting pretty over this simulated outrage of the Congress(I) leaders in the state, sure in the knowledge that the more the Congress(I) leaders foam at their mouths (even if only for the record), the greater will be its claim to be viewed as a party which had made advances in the implementation of the Assam Accord. But the AGP leaders too know very well that the guidelines cannot be fully followed in the revision of electoral rolls because of some grave lacunae: the crucial 1966 electoral rolls, which the Election Commission's guidelines say ought to be the reference point in establishing who is a foreigner and who is an Indian citizen in the cases of persons enumerated but about whose Indian citizenship the Electoral Registration Officers may have doubts, simply do not exist in their entirety.

THE GUIDELINES

But first, what are these 'guidelines' that have created so much of some genuine but mostly simulated indignation by the political parties of the opposition and only slightly less simulated sense of satisfaction by the AGP government?

As is well known, the Assam Accord provided for identifying two streams of illegal migrants into the state: one those established to have entered the state illegally between January 1, 1966 and March 24, 1971, and two those established to have entered the state illegally after March 24, 1971, the date on which erstwhile East Pakistan declared itself independent Bangladesh. Those in the first stream are to be *detected* in accordance with the provisions of the Foreigners Act, 1946 and the Foreigners (Tribunals) Order, 1964, after which their names are to be *deleted* from the electoral rolls in force and, on the expiry of a period of ten years following the date of detection, the names of all such persons which have been deleted from the electoral rolls shall be restored—in other words, *disenfranchised* for a period of ten years.

The second stream of illegal migrants (post March 24, 1971) shall continue to be *detected*, *deleted* and *expelled* in accordance with law.

In other words, every illegal foreigner who entered Assam after January 1, 1966 is to be detected; every such foreigner's name is to be deleted from the electoral rolls—those coming under one category (January 1, 1966 to March 24, 1971) for a period of ten years and the post March 24, 1971 category permanently, and the latter category is also to be expelled. It should be noted that the expulsion of the second stream of illegal migrants is to be done according to the provisions of the Illegal Migrants (Determination by Tribunals) Act, 1983 (IMDT Act) while the first stream of illegal migrants (who are only to be disenfranchised for a period of ten years) are to be tackled under the provisions of the Registration of Foreigners Act, 1939 and the Foreigners Act, 1946, and the rules framed thereunder. These acts which were effectively (perhpas over-effectively) being applied to cover all the illegal foreigners in Assam till 1983 were deliberately made applicable selectively after that date by the passing of a new legislation, the IMDT Act, which is applicable only to illegal foreigners in Assam. Thus an illegal foreigner who has to be detected and expelled is covered by the IMDT Act while a person in exactly the same situation in neighbouring Meghalaya is covered by the provisions of the Foreigners Act, 1946. The rationale behind such a transparent anomaly, involving the political calculations of the Congress Party in Assam and its traditional vote banks in the state (appropriated by the UMF briefly before the December 1985 elections but now in the process of being regained), is too large a subject to be gone into here.

AGP RECONCILED

Predictably, the Assam agitation leaders who within weeks of signing the Assam Accord transformed themselves into leaders of a new regional party, the Asom Gana Parishad (AGP) and soon thereafter captured political office, found the going tough when it came to implementing the Assam Accord, especially those provisions of it covering the detection, disenfranchisement and expulsion of the impugned foreigners. They had anyway already made substantial compromises in signing the Accord and agreeing to 'regularise' all the presumed illegal foreigners established to have arrived before January 1, 1966, though one of the stated demands of the Assam agitation was that all illegal foreigners from 1951 (later 1961) were to be deported (no vague reference to expulsion). They had also agreed that the post March 24, 1971 illegal foreigners were to be expelled, without any indication in the Assam Accord how, and more importantly to which part of the world, such detected illegal foreigners were to be 'expelled'—and knowing fully that this stream of illegal foreigners was by then covered by the already enacted IMDT Act whose provisions are such that virtually no one can be expelled under them.

Most importantly, after maintaining throughout the Assam agitation that the electoral rolls in Assam had become hopelessly contaminated because of the inclusion of the names of 'lakhs and lakhs of illegal foreigners' (the beginnings of the Assam agitation have to be traced to the efforts of the All Assam Students Union,

with the help of sympathetic officials in the state administration, to secure the removal of the names of tens of thousands of such presumed illegal foreigners from the electoral rolls of the Mangaldoi Lok Sabha constituency before the by election in the middle of 1979 which anyway could not be held) and indeed after enforcing a boycott of the February 1983 elections to the state assembly on the same grounds - and further boycotting the illegal ministry headed by Hiteswar Saikia that assumed office after the February 1983 elections the AASU leaders as AGP leaders fought the December 1985 assembly elections when electoral rolls based substantially on the tainted 1983 electoral rolls were used. Since assuming office the AGP has fought three by elections as well as elections to the district councils in the two autonomous districts in all of which the electoral rolls used have been based on the electoral rolls of 1983.

Thus it appeared as if the AGP government had more or less reconciled itself to the realities of political office and had learned to live with the 1985 electoral rolls though the campaign for revision of the electoral rolls in such a manner as to exclude from them the post 1966 illegal migrants was kept on by the AGP in the form of statements and by the AASU through some low key agitation programmes. The state government had anyway more serious problems on its hand including the agitation for a Bodoland by the All Bodo Students Union led by Upendranath Brahma (ABSU UB).

It was in such a situation while the revision of electoral rolls was going on in a routine manner accompanied by low key protests from the AASU that the Election Commission issued its guidelines on May 17 for the revision of electoral rolls in Assam. AASU which had threatened to launch an agitation on the issue happily withdrew the threat.

The guidelines provide for the preparation of two lists of all enumerated voters in the state. List I is to contain the names of persons enumerated about whose Indian citizenship the Electoral Registration Officer (ERO) does not consider it necessary to make further inquiries. List II is to contain the names of persons in respect of whom the ERO has reason to entertain doubts - that is persons who cannot be directly or through their parentage linked to the 1966 electoral rolls. These doubtful persons claim to be included even in the draft electoral rolls will depend upon their producing any of the following four documents (none of which an ordinary Indian citizen carries or possesses): (1) citizenship certificate issued by competent authority, (2) certificate of date of birth, (3) copy of the National Register of Citizens', a document prepared at the time of the 1951 Census about whose validity or even existence there has been some controversy, and (4) extract from the 1966 voters list or any pre 1966 voters lists establishing links with that document. According to opposition political leaders in the state, the 1966 voters list are available in respect of only some 52 or 53 out of the total of 126 assembly constituencies in the state. The guidelines clearly lay down that "any other document which is not free from doubt should not be relied upon." But on recent representations by the opposition parties the Election Commission is believed to have modified this directive and allowed the EROs to consider other documents admitted under the Evidence Act (like ration cards, etc) also as proof of citizenship. It is against these guidelines which have come as a sort of a windfall to the AGP government that the opposition parties including the Congress(I) are protesting.

Curious Protest

That the UMF or the CPI(M) or the Congress(S) would protest against these guidelines is no cause for surprise for their stand on the Assam Accord itself is well known. But the protest by the Congress(I) which fully supports the Assam Accord is most curious. For the guidelines arise directly from the commitments made in the Assam Accord regarding the disenfranchisement for a period of ten years of the January 1, 1966-March 24, 1971 stream of illegal foreigners. Indeed the Citizenship Act, 1955 was especially amended by the Citizenship (Amendment) Act, 1985 by the introduction of a new clause (6-A) which gave legislative sanction to the commitment made in the Assam Accord about such disenfranchisement. Clause 6-A provides that every person of Indian origin who came to Assam on or after the first day of January 1966 but before the 25th day of March 1971 from the specified territory, and has since the date of his entry into Assam been ordinarily resident in Assam and has been detected to be a foreigner, shall register himself in accordance with the rules made by the Central government in this behalf under Section 18 [of the Citizenship Act, 1955] and if his name is included in any electoral roll for any assembly or parliamentary constituency in force on the date of such detection, his name shall be deleted therefrom. The Election Commission's guidelines only provide the necessary administrative direction to enforce this constitutional obligation—however unfair and potentially further divisive the legislation and the constitutional obligation itself might be.

For, it is the union government under the Congress(I) which signed the Assam Accord, it is the union government under the Congress(I) which amended the Citizenship Act, 1955 and one has to assume that it is with the clearance of the union government under the Congress(I) that the Election Commission has issued these guidelines. For the Congress(I) in Assam now to raise a hue and cry about these guidelines even while maintaining that it is committed to the implementation of the Assam Accord can only mean two things: one, that it is anxious not to alienate the majority Assamese opinion in the Brahmaputra valley without whose support no stable government is possible in Assam (so the guidelines had to be issued); two, but it is equally important to retain its traditional vote banks among the migrant population apart from being sensitive to the opinion in the Barak Valley to which the influential union minister of state for home affairs, Santosh Mohan Dev, who is articulating the opposition to the Election Commission's guidelines belongs (and so the guidelines have to be opposed).

Now that the issue has become alive some sort of a modification of the guidelines has become inevitable. But the guidelines cannot be modified unless the 1985 Amendment to the Citizenship Act 1955 itself is further amended if not scrapped. It is to be seen whether the union government will introduce such a controversial legislation in the current session of parliament (almost certainly the last session before the Lok Sabha polls). Any action in this regard will naturally depend on the Congress(I)'s assessment of the relative gains and losses to be made in Assam by letting things be but allowing its unit in Assam to make some more noise or tinker with the guidelines and once again rouse passions in the Brahmaputra valley.

Perhaps a slightly modified form of the old English saying would best explain the stand of the Congress(I) in Assam: that it is hunting with the hare and hunting with the hounds.

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Medicine at Risk

Health Professional as Abuser and Victim

Amar Jesani

Health professionals are often involved, one way or another, in incidents of state torture By participating in such acts they grossly violate several national and international codes of ethics How can this abuse of human rights by health professionals be prevented? Equally importantly, how can doctors be protected from being coerced by the state to participate in torture? A report of the recent Amnesty International seminar on the subject

AFTER the second world war the Neuremburg Trial exposed and punished scientists including health professionals who willingly or under duress participated in the large scale murders and torture and the cruel experiments on human beings in the Nazi concentration camps and elsewhere It also highlighted the grim predicament of health professionals in the modern systematic organisation of oppression and repression by the state power Just as the fascism scarred humanity in history beyond repair the findings of the Neuremburg Trial shook the health profession because it remained no longer possible to argue that inhuman misdeeds of these doctors were exclusively committed under duress In fact research done later on established that a majority of doctors had thrown ethics overboard and had willingly accepted the fascist ideology of racial hygiene' which actually had inspired many to collaborate in inhuman acts at that time Now we know that the period of Fascism in Germany was marked by three types of doctors The first category of fascist doctors dominated the scene the second succumbed to the physical might of the Fascist state and ended up as unwilling participants in the inhuman acts the third resisted the pressure and paid for it with their lives spent long years in jails while a few could escape out of Germany Clearly medicine under fascism shows the dual predicament of the health professional the abuser and the victim

Following the second world war in the wake of the Universal Declaration of Human Rights by the United Nations several codes of ethics related to human rights were adopted by various international organisations of health professionals For about two decades after that no improvement in these codes was effected although some discussion on a need to improve them took place However, from 1968 the world political scene underwent a sea change The mass upheavals in the developed countries, the Vietnam war, the anti war movement, the killing of Allende in coup in Chile followed by massacre etc once again sensitised broader strata of people to the question of human rights In the strife torn world the health professionals suffered as well and many of them got sensitised to the larger ethical issues concerning human rights Thus the discussion which had begun in the late 1950s and the early 1960s on the inadequacies of the existing code of ethics related to human rights started getting crystallised in the form of concrete proposals in the 1970s In 1975 in Singapore the International Council of Nurses (ICN) adopted a resolution on the Role of the Nurse in the Care of Detainees and Prisoners In the same year the World Medical Association (WMA) adopted its famous Tokyo Declaration on Guidelines for Medical Doctors Concerning Torture and Other Cruel Inhuman or Degrading Treatment or Punishment in Relation to Detention and Imprisonment The organisations of other health professionals such as psychiatrists psychologists etc also formulated their own codes of ethics in this field at the same time As a consequence on December 18 1982 the United Nations General Assembly adopted 'Principles of Medical Ethics Relevant to the Role of Health Personnel Particularly Physicians in the Protection of Prisoners and Detainees Against Torture and Other Cruel Inhuman or Degrading Treatment or Punishment (for full text of these codes see *Radical Journal of Health* issue on Human Rights and Health September-December 1988)

Several other organisations also carried out investigations concerning the role and problems of health professionals in relation to human rights The Committee on Scientific Freedom and Responsibility formed by the American Association for the Advancement of Science investigated the behaviour of health professionals in relation to the violation of human rights in Chile, South Africa, the Philippines and Uruguay The Anti-Apartheid Movement highlighted, among, other things, the death of Steve Biko, a leader of the Black Consciousness Movement, in the hands of the South African authorities and the gross negligence and collusion of doctors in his death A team of doctors appointed by the British Medical Association compiled an informative and positional document titled 'The Torture Report Doctors and forensic scientists assisted numerous human rights investigation teams to unearth and reconstruct the torture and deaths of thousands of individuals—who had disappeared' in Latin American countries The Chilean Medical Association s (CMA) fight against the fascist regime of Pinochet and the international campaign to save the CMA's office bearers from repression made the health professionals acutely aware of their vulnerability while upholding ethical principles The Amnesty International (AI) in its worldwide campaigns helped bring into focus the behaviour and problems of health professionals in the face of human rights violation

These developments posed two major problems for the health professionals at the national and the international level (1) How to prevent human rights abuse by health professionals? What is to be done to get the codes of ethics in relation to human rights implemented in various countries? How to identify and punish health professionals violating these codes? (2) How to protect health professionals who are victimised for upholding ethical principles? How to develop the necessary mechanism to express solidarity with such victims and to bring pressure on the concerned governments? That is, the health professional must be addressed to as the abuser of human rights as well as the victim of human rights violation

A recent seminar in Paris on Medicine at Risk The Health Professional as Abuser or Victim organised by the medical division of the French section of the Amnesty International (AI) from January 19 to 21 1989 discussed some of these issues For the AI this seminar was in a way a major step forward after its earlier such effort in 1978 in Athens in which some 100 health professionals from 13 countries had discussed Medical Detection and Effects of Torture the Need for Treatment Rehabilitation and Compensation of Torture Victims and Other Work of Medical Profession Against Violation of Human Rights In the Paris seminar over 100 health professionals from more than 20 countries participated Underdeveloped countries were represented by participants from Chile Uruguay, Pakistan India South Africa (Black doctors) Sudan Tunisia Turkey etc

The seminar began with a plenary session and broke up into groups discussing one of the four topics (1) A universal and unequivocal definition of the principles of medical ethics (2) finding an interna-

tional cure for medicine at risk, (3) finding a cure for medicine at risk at the national level, and (4) ethics, education and information

Defining of Ethical Principles

In the world of differing ethnic and political characteristics each harbouring its own traditions and prejudices to evolve universal principles of medical ethics and their unequivocal definition is a formidable task It took nearly 40 years after the Nazi genocide to develop and get accepted the existing codes of ethics related to human rights by the international organisations of health professionals and the United Nations Now the task is to make them more meaningful and precise so that they can encompass numerous and specific situations in various and possibly in all countries Therefore the aim of the participants was to identify relevant issues and to develop wherever possible, consensus through organised discussion on certain contentious issues so that some advances could be achieved

A major debate took place on the Islamic Code of Medical Ethics The Declaration of Kuwait (January 1981) on the subject was circulated as background document for the seminar The problem with this declaration as some participants pointed out is the same as most of the codes of ethics devised at national level Such codes are worded in a manner that does not go grossly contradict the 'universal principles of medical ethics However they remain silent on the customary and the state sponsored practices which are violative of human rights For instance in the Islamic countries the so called Islamic punishments such as flogging stoning amputation etc, are given official sanction by custom religion and the state power

The Declaration of Kuwait satisfies 'universal principles by stating that "the physician shall not permit any of his special knowledge to be used to harm, destroy or inflict damage on the body, mind or spirit whatever the military or political issues However its interpretation and definition in the context of the concrete situation prevalent in Islamic countries is kept to say the least ambiguous That is it does not specifically forbid health professionals from participating in any way in the Islamic punishments

Some participants on the other hand argued that the Islamic code is a comprehensive document and it is concerned with all aspects of Islamic society Secondly, according to them under genuine Islamic laws, these Islamic punishments cannot be passed indiscriminately There are severe restrictions and conditions to be fulfilled before an individual can be subjected to such punishment In the light of these arguments it should be noted that the Declaration of Kuwait, despite its liberal use of religious terminologies and invocation of god in every paragraph, does cover the doctor's duties and rights in many aspects of health care, including preventive and promotive aspects But the coverage does not justify the content The point is if the general principle forbids a doctor to use his or her special knowledge to harm destroy or inflict any damage on the body, mind or spirit it cannot under any stretch of the imagination allow the doctor to be a party to or assist in the execution of any Islamic punishment irrespective of whether such punishment has fulfilled all Islamic criteria or not Therefore, as some participants strongly felt, the general principle should be defined in the context of the concrete situation in the Islamic country by specifically opposing Islamic punishments One participant argued that in such interpretation the religious sentiments should not come in the way and in any case, historically, these punishments are not strictly and specifically Islamic in the sense that they existed even much before Islam was born

Some participants from underdeveloped world criticised the western countries for not taking a very firm stand on this issue One participant criticised the BMA's Torture Report' wherein the issue of a doctor administering anaesthesia before the amputation of hands of the prisoner is kept open under the plea that such action would at least help minimise the pain suffered by the prisoner

Despite heated debate in the group meeting during the plenary session it become clear that since the majority was not ready to force the issue, no concrete and unequivocal interpretation would emerge Ultimately, the consensus remained universal but not concrete and equivocal for it was simply agreed that the health professional should not participate in the corporal as well as capital punishments

Two other important issues which were not so controversial also came up for discussion The first was the doctor's role in the forced feeding of hunger strikers In general, the participants agreed that the health professionals should never participate in the forced feeding and no authority must force the doctor to force-feed the hunger striker The second issue was regarding the independence of health professionals from the authorities That is health professionals must have the right to uphold their professional ethics when the rules of authority conflict with these ethics Such a right could well be exercised only when they have real independence from public authorities and penal institutions It was felt that organisations of health professionals should actively strive

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International Care for Medicine at Risk

Experience shows that international remedies are useful in stopping the use of medicine in violation of human rights and to help health professionals under arrest or facing difficulties due to their resistance to such use of medicine. Several international campaigns and other actions carried out in the past were briefly reviewed and it was felt that more could be done in this respect. For such collective endeavour it is essential to upgrade and disseminate information on opportunities for international action. In this context some participants felt that there is a need to improve liaison between governments and between non government organisations (NGOs). The medical NGOs have an important responsibility in playing an active role in the international efforts. Here too it was felt that for all such actions to survive and be effective at the national as well as international level the independence of the health professionals and their organisations from the governmental authorities is a necessary pre condition.

While reviewing past actions it emerged that visits by international teams to the detention centres are having a positive impact in improving the situation. Therefore it is necessary that such efforts are continued and to make them more effective two suggestions were made. Firstly such effort should not get restricted to a few countries, our aim should be to cover as many countries as possible and its regularity should make it a universal system. Secondly we should create conditions so that we are able to organise such visits any time to any detention centre in the world.

Punishment to the torturer cannot be left to the country's government and law. Our reference point should be the international law under which torture is a crime. Thus our campaign should uncompromisingly demand severe punishment to the torturer. The health professionals and their organisations at the national level should not merely wait for the governmental and legal actions. They should also impose professional punishment on the health professional who colludes in any way in the torture. Similarly torture linked to medical and other scientific experimentation is also outlawed by the UN covenant. Further it was felt that we should pay more attention to train health professionals to equip them to diagnose and treat torture victims. Such training should help in bringing more cases of torture to light and make known the information on who participated in such cruelty.

For organising international actions and campaigns, it is necessary that information is received from countries concerned. Further, the health professionals would know where to send information and specific complaints. Thus, there is an urgent need to set up some international mechanism to receive complaints from individual countries, disseminate them as widely as possible and to organise necessary action. The participants decided that the World Health Organisation (WHO) should be approached and persuaded to undertake responsibility to set up such a mechanism to process complaints at the international level.

Some issues of immediate concern in certain countries were also raised. The situation in Turkey was discussed and it was decided that some representation to the Turkish authorities should be made through the World Medical Association (WMA). The situation in Algeria also came up for discussion. However the issue that generated heated debate and led to sharp exchanges was the doctors' collusion in torture in South Africa. This was an important issue which once raised in this group meeting kept on generating passionate debate till the seminar ended.

National Care for Medicine at Risk

Whatever may be the usefulness of international actions they cannot substitute the need for concerted action at the national level to rescue medicine from the risk of human rights violation. Further international actions are more effective if they come in addition to the actions at national level. Moreover international advances in ethics would come to naught if we fail to translate them in actual practice at the national level. Indeed there is a wide gap between the international principles and their implementation at the national level, more so in the underdeveloped countries. In fact the underdeveloped countries where medicine is at the greatest risk are yet to incorporate these principles in their legal systems and in their official codes of medical ethics.

Since these ethical principles go against the state's tendency to inflict torture at the national level they can be upheld in the best manner provided there are strong local and national organisations of health professionals working independent of government controls. The talk of medical ethics related to human rights perhaps may not have desired effect on the health professionals if the code of ethics related to medical and health care practices is not strictly followed and implemented by these organisations. Further for general democratic environment in the organisation freedom of information is a must. In addition, the health personnel should be adequately educated and trained to diagnose and treat torture victims. The organisations of health professionals at the national level should incorporate codes related to human rights, [illegible] severe penalties to punish their violators and also devise necessary mechanism/machinery to efficiently implement such penalties on the erring members.

The group discussing this topic also made very significant contribution by devising certain objective criteria for suspecting human rights violation in the prison. In all the group could put together seven criteria, the existence and occurrence of any one of which should raise suspicion on possible human rights violation in any prison anywhere in the world. Not only that these criteria could become important indicators for evaluating and judging the penal system of individual country from the perspective of human rights. These criteria are listed below.

(1) The standard of health care inside and outside the prison should be uniform. Any indication that health care available inside the prison is substandard should raise suspicion that the prisoner's human rights are being violated. On this criteria we should add certain reservation of our own. In the countries where inequalities in health care are very sharp and extreme, as is the case in most underdeveloped countries, it would become very difficult to talk about uniformity inside and outside the prison. The problem might be solved by talking about the average standard of health care prevalent outside the prison being made available to the prisoners. But the averaging of standard of health care itself would create lots of practical and ethical problems. This criteria needs to be concretised further.

(2) In every prison there should be strict regulation for conducting autopsy (post mortem) on every death in the prison whether natural or otherwise. Any death in the prison not followed by autopsy should indicate the possibility of human rights violation.

(3) The autopsy of such death should be conducted by an independent doctor, i.e. the doctor not in the employment of penal institution.

(4) Certification of death in the prison must be by an independent doctor. If the death certificate is issued only by the establishment doctor one should suspect human rights violation.

(5) The prisoner should have absolute right to consult a doctor without requiring even the presence of the establishment staff.

(6) At the time of the doctor/health professional and the prisoner encounter, if the health professional is unable to identify himself or herself, and conversely, if the full identity of the prisoner is not disclosed to the health professional, one should strongly suspect human rights violation.

(7) There is a very high potentiality of

abuse in research and experimentation on prisoners While research and experimentation can be conducted in the prison ethical provision of full informed consent must be strictly implemented and the burden of proof of the ethicality should be solely on the authorities

Ethics Education and Profession

The group discussing the topic dealt with the issue of human rights and ethics in minute details It was asserted that the human body and mind must not be violated under any condition for any purpose and by any individual or authority Any penalty or situation which violates human body and mind must be unacceptable Thus ethics should be understood in the broadest perspective and should be a concern of not only health professionals but of all in the society The enforcement of ethics should be a task shared by everybody in society

Beginning from such idealist and all encompassing premise it was natural that issues from death penalty and corporal punishment to debt trap were raised One participant even contended that when we are against all terrors the debt burden of the third world countries acting as an international terror mechanism could not be ignored

Death penalty which was discussed in another group where the consensus had emerged that a doctor should not examine victim's body to issue death certificate until several hours after the execution had been carried out came up for discussion in this session too but from a different angle In this group it was agreed that health professionals should not participate in any way and in any capacity in the capital punishment of any type The group went beyond that by stating that we should not remain a passive non participant but also involve all others namely the maker of rope for hanging makers of electric chair etc That is we should actively strive for the acceptance of our opposition to death penalty and torture by everybody in the society In short we should treat our ethical principles in an active way for getting them accepted in the society as a whole rather than just confining to our profession

Not only that human rights and ethics cannot be confined to exceptional cases of torture and death penalty but should encompass day to day ordinary cases of human rights violation For such cases form the real bulk of cases and they have not received sufficient attention For instance, use of coercion in family planning programme or denial of medical care to an individual who is not able to pay etc, are day to day violation of human rights in health

How can the health professionals be educated and trained on the human rights issue? Many suggestions were made (1) The study of ethics and human rights should be introduced from the first year of training in the medical and nursing schools (2) The Tokyo Declaration the UN principles of ethics etc should be used for teaching human rights (3) The trainees should be imparted adequate skills to diagnose and manage torture cases For this purpose lectures discussions and case presentations should be organised (4) In refresher courses and continuous training human rights and skills to manage victims should be incorporated (5) The associations of health professionals should educate their members about human rights and train the trainers and (6) People should be informed about the type of education and training given to doctors so that they can set up expectations and thus reinforce training

Controversy on South Africa

Sometimes a small incident tells us more about the individuals and organisations concerned than the long drawn sophisticated discourse Something similar happened in this seminar and it served as an eye opener to many participants In the group discussion, 'International Cure for Medicine at Risk', issues regarding the current situation in many countries were discussed Here, the participant from Turkey mentioned reports on doctors' collusion in torture in South Africa There are two medical associations in South Africa The Medical Association of South Africa (MASA) is the oldest and it has dragged its feet over supporting the fight against apartheid In 1982 after the MASA failed to properly investigate and punish doctors involved in the murder of Steve Biko the anti apartheid doctors formed a separate association called the National Medical and Dental Association (NAMDA) Due to concerted efforts by the NAMDA an increasing number of cases pointing to doctors collusion in torture in South Africa have been brought to light The MASA has of course consistently denied that its members are participating in torture

In this seminar the secretary general (SG) of the World Medical Association (WMA) participated in this group In fact he had earlier agreed that the WMA would make a representation to the Turkish authorities on the question of human rights violation and doctors in Turkey However, he felt most upset when

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[illegible] For, the WMA is already facing a rough time over its association with the MASA After the MASA was readmitted to the WMA a few years back, the WMA has come under increasing criticism To this was added a new rule which gives the member national medical association of the WMA votes in proportion to its membership This rule has replaced the earlier one country, one vote system As a result many countries have withdrawn from the WMA Currently, the WMA has a membership of associations from only 42 countries From western Europe, only the French and German medical associations have still maintained their membership The Indian Medical Association has also withdrawn from the WMA Against this background when MASA was criticised and the WMA was taken to task for not enforcing its own declaration on the MASA it was natural that the SG of WMA reacted in a very hostile way Fuel was added to the fire when the Turkish participant converted his submission into a resolution on South Africa for discussion in the seminar The issue of course could not be resolved in the group discussion and so came up for discussion in the plenary

This must have irked the SG more For he reacted very angrily In the plenary initially he opposed any discussion on the issue However in response, one participant strongly objected to this suggestion of not discussing the resolution and said that it would be in gross violation of the democratic rights of the participants The SG of WMA in turn issued a threat by saying that if the resolution was accepted, he and the WMA would dissociate completely from the proceedings of the seminar as the resolution criticised the WMA He also challenged the mover of the resolution to prove with documentary evidence that MASA members were colluding in torture While most participants deplored the threatening attitude of the WMA on the challenge to prove 'allegations' there were some difficulties First of all many participants found it shocking that they were asked to 'prove' something that should be obvious given the situation in South Africa Secondly it was clear that the challenge was directed at the black doctors who are members of NAMDA and were participants in the seminar This was done knowing that the emergency laws in South Africa forbid the black people to divulge information about the domestic situation to the outside world That is, if the South African participants were to open their mouth to substantiate 'allegations', they would face criminal charges and immediate arrest on their return home. In spite of these difficulties, it was proposed to the SG of WMA that if WMA was ready to provide protection through its good office in the MASA, a case-by-case report with names, places and dates could be openly provided in the seminar The WMA, however, was not interested in doing any such thing

At this juncture a representative of the Amnesty International (AI) intervened He contended that on this issue sufficient documentation was not available Secondly the AI's mandate is to deal with individual cases while the country specific resolution cannot be accommodated in it Thirdly the AI does not sign any statement or resolution along with any other organisation or individual That is the AI always issues a statement of its own but never in association with others From this standpoint he tried to persuade the supporters of the resolution not to press for its acceptance in the seminar

After this debate on the second day the discussion was cut short due to lack of time and it was decided that the issue would be decided upon on the last day However later on the participants came to know that the last day plenary was an open meeting which would make it difficult to discuss contentious issues This situation really disappointed supporters of the resolution They however continued to press for its acceptance in the evening in informal discussions Ultimately a consensus emerged that the resolution would not be placed for voting in the seminar but could be retained with an explanation by the WMA for the signature of participants who wanted to support it

In the meanwhile two more participants had put their names as movers of the resolution The final resolution that was signed by large number of participants read as under

> Instances have been illustrated where doctors are either passively or actively involved in torture and degrading or inhuman treatment or punishment in South Africa In light of the above we the undersigned participants of the seminar resolve and call upon
> —All NGOs including WMA of which the MASA is a member to implement the Declaration of Tokyo and other related declarations on human rights with regard to its membership in WMA
> In addition we call upon
>
> All governmental organisations to actively address this problem and sanction South African doctors involved either implicitly or actively in the maltreatment of detainees
>
> We propose that an appropriate body be requested to monitor torture and participation actively or passively by medical doctors in South Africa
>
> Resolution moved by Umit Kartoglu MD Turkish Medical Association, Turkey, Amar Jesani, MBBS, Medico Friend Circle (Bombay), India, Mahboob Mehdi, MBBS Voice Against Torture, Pakistan

This consistently [illegible] South Africa [illegible] the failure to allow the resolution to be voted upon in the seminar brought to light many uneasy questions which such international gatherings will have to resolve in future One of them is the vulnerability of participants from the underdeveloped countries At home they face a particularly oppressive dictatorial and even apartheid or fascist state At best, they have very weak democratic governments Thus, their need to receive international support for long term survival in their fight for human rights is the greatest In this situation when they face an international gathering on human rights participants who do not have a strong will and need to take positions on the contentious issues, they become doubly vulnerable In my personal discussion with the participants from such countries I was particularly struck by the fact that they were overcautious about alienating international groups which are providing them support through international campaigns

Another important limitation of this seminar was the almost complete lack of discussion on women's issue Not that women were not present in the seminar In fact almost half of the participants were women In addition, some of the central organisers of the seminar from the French section of the AI were women Yet, not a single co ordinator of the group discussion and the presidium of the plenaries had representation from women Further in one of the background papers circulated by an Egyptian participant, there was a derogatory reference to women and when it was brought to the notice of the participants in the group discussion, no discussion ensued This particular passage in the paper stated that 'For every individual in the Islamic state, the government should provide suitable house, clothing for summer and winter, wife to satisfy his desire social and medical care"

Despite these limitations, the seminar was another step forward in the international effort to stop the use of medicine in human rights violation It is indeed necessary that these ethical advances are implemented at the national level both to prevent the health professional falling a prey to the ideology and actions of repression and to protect those who are fighting against the violation of human rights

In our country the participation and specific medical input in the human rights efforts by health professionals is very negligible Given the manifold rise in instances of human rights violation and even the victimisation and killing of doctors upholding human rights, the need for progressive health professionals and human rights organisations to come closer on this issue is becoming urgent

PAKISTAN

Glamour Abroad, Troubles at Home

Babar Ali

Benazir Bhutto gives the impression of having been bowled over by the receptions she has got in China, Turkey and the US But foreign tours rarely help avoid dealing with the real problems at home As if to drive home the point, the day Benazir left on her US trip, the opposition parties got their act together and formed a Combined Opposition Parties group against the government

IF the American people were part of the Pakistani electorate Benazir Bhutto could have become prime minister of Pakistan for life She has been presented to the American people at times as a glamorous woman of the east and sex symbol and at others as a very brave woman who fought against severe odds was incarcerated lost members of her family and eventually won the hard fought battle against tyranny and oppression and emerged as the leader and torch bearer of democracy in Pakistan The reception she got on her recent tour to the United States was indeed historic and the US media went out of its way to dazzle the American public with this daughter of the east The US government was charmed by her eloquent address to the Congress President Bush must have been amused when he was told by Benazir Bhutto that both of them were born under the same astrological sign and given the adherence of the most recent ex president of the US to his daily star chart both Bush and Benazir would have gotten along like a pair of twins knowing and understanding why the other was behaving and feeling in such a way The tour was an unparalleled success She has even set the stage for a designer *gharara* and *shalwar kameez* revolution amongst the glitterati of the United States

Sixty F 16s have been ordered by Pakistan along with other military hardware Economic aid has been approved and attempts by the US government to help Pakistan rescue its economy, and thus the government of Benazir are to be given priority US business concerns have been given all sorts of guarantees and have been encouraged to come and invest in Pakistan "An identity of views ' have been found on the troublesome Afghan question where both parties want Najib and his government ousted, to be replaced by a government of the people ' to be elected by the people. The controversial nuclear issue seems to have been discussed in the open for the first time and reassurances by Benazir seem to have hit the mark and there now seems to be some belief amongst US policy makers that indeed Pakistan does not have grand designs of building nuclear weapons and intends to use nuclear technology for "peaceful purposes" This belief and confidence in Pakistan's nuclear programme is an important stepping stone to more confidence and thus more aid assistance and goodwill Indeed Benazir has made a mark on the US people and on their government But foreign tours rarely help avoid dealing with the real problems at home Benazir should have learnt that from Rajiv Gandhi

The day she left for her US trip this year her third major foreign tour in six months along with a few smaller pit stops—the opposition parties got their act together and formed a Combined Opposition Parties group with seven parliamentary parties united against the government (Of the seven the largest the IJI consists of nine parties some of which do not have a representative in parliament) The COP is a collection of parties with little ideological coherency amongst the different groups and the only thing which unites them is the fact that they are not in government at the federal level The COP claims that it has at best a handful of seats less than the People s Party and could after some lobbying, be in a position to topple the government although for some very strange reason, the spokesmen of the COP have been saying that it has not been formed to topple the government but to act as a pressure group One assumes that politicians are in politics to assume power

The main reason for this pressure-group nonsense could be that the third biggest party in the National Assembly after the People's Party and the IJI, the Mohajir Qaumi Movement (MQM), the Karachi and Hyderabad based chauvinistic organisation is not part of the COP The MQM has 12 seats from Karachi and 2 from Hyderabad, a city 160 km from Karachi In the provincial assembly in Sindh, the MQM has 31 seats to the People's Party's 68 and the two have worked together in government in the province. The MQM and the PPP have had a rough and troublesome liaison in Sindh, thanks mainly to the Sindhi-Mohajir ethnic divide where the PPP represents only the Sindhis and the MQM the Mohajirs of Sindh The Sindhi-Mohajir strife, now a routine affair in Sindh, has had major consequences on the relationship between the two parties Nevertheless, for the moment at least, the MQM has decided not to join forces with the IJI and become the most important member of COP If it does indeed join Benazir should be prepared to face an uncertain future

The province of Sindh from where the People s Party derives its greatest strength is also the most troublesome region for the PPP The ethnic divide has grown wider and the law and order situation in this province has deteriorated Dacoities and kidnappings have become a common occurrence and as unemployment has grown resentment amongst the people who elected the People s Party has also increased Extremist nationalists within the People s Party are clamouring for a harder line against the Mohajirs and against the MQM Indeed the economy and the political situation in Sindh are causing great worries to the Benazir government An attempt to appease the Sindhi nationalist lobby in her party means annoying her main ally in Sindh and the centre the MQM Attempts to bridge the ethnic divide means that a large disgruntled section of her party looks towards the Sindhi nationalist groups in the province weakening the position of the People's Party One does not envy Benazir against a few moments of glamour on the American screen there are severe and serious problems confronting her constantly

The latest addition to her problems is the imminent fall of the PPP government in the province still called the North West Frontier Province (NWFP) now that the once progressive Awami National Party has decided to join the Combined Opposition Parties at the federal level and the Islami Jamhoori Ittehad at the provincial level With some wheeling and dealing the People s Party could be out of office in the province If this move succeeds three of the four provinces will be governed by non People's Party governments and the fourth Sindh is so strife ridden that it has no effective government in the first place

The result of these new alliances and moves means that the People's Party will begin to be reduced to a provincial power and the country will become even more ungovernable. If the COP pressurises the PPP, there is a possibility that one could see a mid term election by mid 1990 and given the fast moving changes on the political canvas in Pakistan, the likely possibility would be a further weakened People's Party government in Islamabad, with nationalist trends getting transformed into electoral seats in the provinces

Pakistan is an extremely difficult country to govern and Benazir must confront major issues more boldly and maturely if she is to stay in power At times one gets the feeling that she is not doing so and has been smitten by the receptions she has got in China, Turkey and the US She will have to give Pakistan more time and interest in order to ensure her own survival

Feminists, Women's Movement, and the Working Class

Ilina Sen

It is only right that we constantly question the form and content of women's organisations and the directions the women's movement is taking But when the process of rational questioning is suspended and distrust substituted in its place the result is not merely confining, it is misleading as well

ABOUT a year ago a document titled *Feminists and Women s Movement* authored by Vimal Ranadive and published by the All India Democratic Women s Association (AIDWA) became available to the reading public Because Vimal Ranadive is known to have been working in the cause of women s rights for a long time and since AIDWA is a federation with a large base of working women one expected that the document would explore and comment on the relationship between the working class movement and the women s movement

Having gone through the document however one is bound to admit that one is disappointed For not only has the author not recognised the positive aspects of the relationship between the working class and the women's movements, she has chosen to focus almost entirely on feminism s 'destructive' potential Her presentation contains so much obvious prejudice and betrays such distrust and fear that some of the valid questions she raises—about the role of funding in women s organisations for example—lose their impact The women s movement at least in our country is new The dangers and pitfalls facing it are many It is only right that we question the form and content of women s organisation constantly But when the process of rational questioning is suspended and distrust substituted in its place the result is not merely confusing, it is misleading as well

Ranadive's main arguments are as follows

(1) In the nineteenth and early twentieth centuries women in Europe, Britain and America faced blatant discrimination in wages employment, and received unequal treatment in several spheres The feminists of this period justifiably fought for rights to education and the vote, for equality under law in matters of marriage, property rights and child custody Feminists of this period turned the edge of their attack against the policies of discrimination of capitalist society which wanted to utilise women's cheap labour while denying them their rights While the demands of the feminists were justified in those times, they are today directed against men and hence are uncalled for It is of course perfectly true that the demands for women's equality were first articulated in a modern context in Europe and America in the aftermath of the general democratic currents raised in society in the aftermath of the ndustrial revolution Western women in the late 19th and early 20th centuries fought for the vote for the right to legal equality and education The constitutional equality that Indian women (and women in many other countries) today enjoy is the result of the struggles waged by these women The constitutional guarantees that women in socialist countries enjoy also originate from these struggles, and many of the early socialists were also strong fighters for women s rights and saw the two struggles as linked The names of Engels Bebel and Zetkin come most obviously to mind in this context but there were many others

At the same time not all those who fought in the cause of women's rights were necessarily socialists The liberal feminist current was strong in the England of 1880 and subsequent years and middle class women agitated for higher education, the vote, legal changes and birth control The women from the Pankhurst family —Sylvia, her mother and sister—Marie Stopes and Margaret Sanger were among those in the vanguard of this movement and the issues these women raised could not be ignored by the socialists The extent and nature of the interaction between feminists and the various socialist groups affected both Sylvia Pankhurst in a later phase attempted to link up women s issues with those of the working class and was rejected in the process by her family and many of her former comrades

While this long history has helped to achieve in practice many of the demands of women for equality in liberal democratic and socialist political structures can the same be said for the situation in our own country? Is it not true that in our country these rights exist often only in name? Do women have here, in practice, equal access to education? Do personal laws for women in different communities see them as equal under law? Is it not true that for the majority community in our country the natural guardian of the child is assumed to be the father? And as for exploitation of cheap labour, is it not true that women's paid work in agriculture and most sectors of unorganised industry (where over 80 per cent of working' women toil) is undervalued and that sex based wage discrimination is rampant? What then is Ranadive saying? Is she saying that it is unreasonable to struggle against such discrimination? These are the issues feminists in India are taking up and precisely such struggles she finds justifiable in the west in a historical context Or does she say that these struggles are not justified outside the sphere of left and trade union politics? In which case one can ask whether these structures have breadth and depth enough to take these issues up fully or if not whether one should ask Indian women to shelve their demands until such time as left structures are capable of shouldering the complete responsibility for voicing them?

PATRIARCHAL DOMINANCE

(2) Ranadive says that feminists today, while they have differences among themselves are united in attributing the exploitation of women to patriarchy This she goes on to explain means that unless women fight men they will not achieve emancipation

It is true that feminists today have many differences among themselves What they do have in common however is a commitment to equality and social justice for women The analysis of patriarchy and the structures of patriarchal dominance has developed through feminist practice but once again details and precise positions vary depending on positions the feminists take *vis a vis* the rest of society To define it as 'fighting men' is both malicious and ridiculous and hardly befits the author s attempts to be taken seriously As a matter of fact here and elsewhere in the document Ranadive shows her extreme discomfort with the term 'feminist' and appears to interpret it in an oversimplified way to mean radical feminists only At least in India radical feminists are a minority

(3) Feminists are synonymous with action groups who work among backward sections of women with the idea of disrupting the left and the organised women s movement

It is true that many action groups are today working among backward sections of the population Many of them began with religious affiliation or as charitable organisations and developed through their experience and acquired a gradual understanding of the structural reasons for social injustice Many of them were and are funded by foreign donor agencies and from what one knows of the ways of Uncle Sam it is quite possible that some are bolstered to play the proverbial destabilising role The scale of their operations is, however often of laughable proportions before the might of the Indian state What often brings these groups into conflict with the organised left is not that

they are working in the interests of the ruling class but that many of them, while they use a Marxist methodology and analysis remain for historical reasons outside the party fold Class action launched by such groups from non party platforms challenges the hegemony that the organised left feels it has in these areas and the result is often confrontation and hostility between the official left and the pretenders To come back to the question of feminists and action groups there are of course many action groups which do no work on women and many feminists outside of action groups It is true however that small non party groups are often more supportive of work with women This is both because the groups small size enables them to be more open and flexible than large monolithic structures and also because women activists in such groups often push for and achieve a distinct space for their work with women Such actions often pose further problems for the left for the official left is often structurally unable to adapt to these newer issues and can only respond by branding them as heresy and proclaim that such actions are launched with an idea of disrupting the left etc, etc more or less exactly on the lines of Ranadive!

(4) Ranadive accuses the feminists of being critical and distrustful of left parties and trade unions and especially of being critical of patriarchy in these organisations

The official left s hostility to the articulation of women s issues from independent platforms has been commented on above Feminists including socialist feminists do sometimes respond with counter hostility Once again the practice of left parties and trade unions provided them with ready ammunition For the uncomfortable fact is that for many years left parties and trade unions have ignored and suppressed the women's question and assigned a peripheral role to women activists These structures have thus become open to charges of patriarchy It must not be forgotten that the promises of socialism extends to women as much as to men and that women have just as many expectations from socialist liberation as men do Hence the criticism levelled at left formations by women and women s groups should not be regarded as disruption but rather as the anger born of disappointment and frustration

On Autonomous Organisations

(5) Ranadive is critical of the feminist demand that women should organise independently, that their organisations should be autonomous, and that decision making in such organisations should be in women's hands

The issue of the autonomy' or otherwise of the women's movement and of women's organisations is an old one. It dates back to the early days of both socialism and feminism Revolutionary theory has had a strange dichotomous position on this, and this is nowhere more clearly illustrated than in Lenin's famous interview with Clara Zetkin For, Lenin says at one point, "Our ideological conceptions give rise to principles of organisation No special organisation for women A woman communist is a member of the party just as a man communist with equal rights and duties But more or less in the next breath he adds 'The unpolitical unsocial backward psychology of (women) their isolated spheres of activity these are facts It would be absurd to overlook them We need appropriate bodies to carry out work among women, special methods of agitation and forms of organisation That is not feminism, that is practical revolutionary expediency" This illustrates beautifully both the fear and the felt need of separate forms of organisation for women These two trends have continued to guide the thinking of left organisations on the women's question and have stunted the growth of political work with women from a class perspective Decisions on how far to take or not to take the women's question at any particular time have been taken in accordance with larger' considerations

Socialist states have similarly taken extremely contradictory positions on state policy regarding women In the Soviet Union the stress on releasing women for social production and decreasing her family responsibility in the early years of the republic contrasts with the pro natalist policies following the devastations of the second world war All this has meant in practice that the democratic women's movement has not proceeded smoothly in association with revolutionary politics, and that revolutionary organisations have continued to be myopic about women's issues Part of the reason also why such organisations have continued to be dominated by men is that their half hearted attempts to bring the masses of women into the fold of revolutionary politics have not been too successful The demands for autonomy and independence of decision making arise from here However while acknowledging its historical importance and relevance, it is important to keep in mind that this can only be a principled stand It is equally important for feminism to clarify its relationship with broader social movements and political currents If all women took all decisions only for and by themselves the only political solution for them would be a lesbian state, and this certainly does not form part of the vision of every feminist for a just society

(6) Ranadive criticises feminists for making the question of women's unpaid labour in the home an issue and finds their attempts to ascribe value to it laughable. While some of them presumptiously attempt to rewrite Marxist theory to ascribe value to housework, others demand wages for housework

Is it possible that she means this as a serious criticism? Women's exclusive responsibility with housework has been recognised as a major reason for her unequal participation in social life by all those who have put in even an iota of thought on the present situation of women Lenin refers in his interview with Zetkin to women growing "worn out in petty monotonous household work their strength and time dissipated and wasted their minds growing narrow and stale ' And of course, the most sensitive exploration of this issue from within the socialist tradition is to be found in the writings of Alexandra Kollontai In several places she discusses these issues, for e g, "The wife, the mother who is a worker sweats blood to fill three tasks at the same time to give necessary working hours as her husband does, in some industry or commercial establishment, then to devote herself as well as she can to her household and then also to take care of her children Capitalism has placed on the shoulders of the woman a burden which crushes her it has made of her a wage worker without having lessened her cares as a housekeeper and mother We, therefore, find the woman crushed under her triple insupportable burden forcing from her often a swiftly smothered cry of pain ' (Kollontai A *Communism and the Family* 1918 Bookmarks London 1984) That communism has no readymade solution to these problems is also acknowledged by Kollontai, viz These problems derive from the fact that the question of motherhood is being tackled but has not yet been completely solved (Kollontai, A, *Selected Writings* Allison and Busby London, 1977)

Once we accept the fact that women's exclusive and unrecognised preoccupation with housework is a problem the next question is what our stand on this should be. Women have taken many different positions, depending on their understanding The wages for housework position is only one of several stands on this issue Other feminists have tried to ascribe 'value' to domestic work theoretically Ranadive ridicules this effort, but the argument is at least worth listening

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to seriously yet other feminists have demanded equal and joint responsibility for domestic work by domestic partners, and yet others have advocated a rejection of heterosexual family life Feminists have all recognised the problem and have worked towards ascribing freedom of choice and dignity to household work that is crucial for sustenance and survival

PARTICIPATION IN SOCIAL PRODUCTION

(7) Ranadive accuses feminists of denying the educative and liberative importance of the participation by women in large scale social production

Given the sacramental relationship of women with housework and domestic labour it is really an open question to what extent public productive labour liberates her and to what extent it crushes her further Nevertheless equality of employment opportunity and access are no doubt important demands As such it is amazing how with the left and trade unions supposedly committed to this equality the shrinkage in the female labour force has taken place to the extent that it has Leaving aside for a moment all estimates of female employment in the agricultural and unorganised sectors large scale reduction in the female workforce has taken place in independent India in mining and textiles the traditional female intensive industries along with the workforce in general

Vimal Ranadive's own writing (Ranadive, V *Women Workers of India* National Book Agency 1976, chapter II Dwindling Job Opportunities) documents this trend Between 1963 and 1972, the percentage of women in total employed in factories decreased from 10 36 to 8 73 Jhabvala has shown how women's retrenchment in the Ahmedabad textile industry was preceded by an agreement in 1933 (to which the majority trade union was party) which stipulated that the unemployment resulting from rationalisation would selectively apply to married women whose husbands are benefited by the rationalisation process (Jhabvala R, *Closing Doors. A Study of the Decline of Women Workers in the Textile Mills of Ahmedabad* SETU, 1985) Similarly it has been documented that the percentage of women workers in the entire mining sector declined from 20 1 to 11 9 between 1951 and 1971 Even today, in the captive mines of the Bhilai Steel Plant, details of the voluntary retirement scheme are circulated to women workers by the recognised union which is affiliated to the AITUC If equal participation in public productive labour is liberating for women, what is one to make of a left trade union's stand on this? On the other hand, much of the defence of women's rights to paid employment has come from non party women activists, the feminists

(8) Another point that is raised is that feminists ignore the major advances made by women in socialist countries Feminists also ignore major enemies like imperialism and the danger of war

Not only women, but all people in socialist countries have achieved major advances and tremendous improvement in their levels of living If feminists or the upholders of any other cause negate this, it is of course incorrect However, socialist countries have by no means solved all the problems in the way of awakening humankind to a truly liberated existence They are themselves trying out new strategies In the past, self righteous dogmatism has led to tremendous human misery and oppression in several socialist states and if it is not constructive to ignore positive developments, it is not constructive either to eulogise the socialist states as paradise on earth And since the democratic duty of the women's movement is to struggle for women's rights, one should not fault it or feminists for criticising the socialist states if they feel the socialist states have fallen short of expectations on the women's question

Imperialism and war are today major dangers facing humankind and its survival Not only feminists but all people should fight these trends but the platform of the women's movement is meant to fight women's oppression and even if feminists confine their struggles to women's issues from this platform nothing is seriously wrong There can be other organisations to oppose imperialism and war, which feminists may join or support Can one fault the feminists for taking their own work seriously?

(9) Ranadive contradicts herself when she says on the one hand that feminists are not willing to join united fronts of toiling people and they raise issues of the relationship of the women's movement to wider revolutionary politics and on the other hand accuses them of trying to disrupt organisations like CITU and AIDWA by entering them and subsequently trying to subvert their work Contrary to what Ranadive says women from many walks of life and from several organisations did take part in mass movements like the anti-price rise agitation Mutual wariness between feminist and class organisations is, of course, very much there, for all kinds of reasons, which we have been discussing above Ranadive goes on to add that feminist groups like the ones based in Bombay and Delhi limit themselves to taking up individual cases of women in distress and discourage mass action and politicisation of these issues This allegation has greater substance, but one must remember that the city-based groups represent a particular type, and that they do, through legal forums and the media, achieve a different kind of political action

(10) The coverage that the activities of the feminists receives in the media comes in for criticism next The motives of the bourgeois press in giving such coverage are questioned, and Ranadive goes on to add that feminist magazines like *Manushi* are expensively produced, indicating access to (dubious) funds

When we are talking of media coverage, is it not the publicity that certain issues get that is important rather than which group gets a mention in the press? If city-based feminists have done a service to the interests of women by drawing public attention to issues like amniocentesis and uneven personal laws, what should our problem be with such a situation? The questions of funding and the 'professionalisation' of activist intervention in the cause of women are, of course, serious issues But the particular example chosen is not a good one. *Manushi* focused attention on Indian women's contributions and struggles at a time when no other such paper existed To deny credit to *Manushi* for this is churlish And can one seriously criticise *Manushi* for being well-produced, for doing its job well? It must have had to do this on a thin budget and the Hindi edition of *Manushi* has had to close down for financial reasons

(11) And finally one is puzzled at the way Chhaya Datar has been personally singled out for attack as a (deviant) feminist theorist The last two decades have seen in India a large body of theoretical and empirical writing on the women's question Chhaya Datar has been one of the many such writers, and one may agree with some of her positions and disagree with others But she is certainly entitled to develop her arguments just as her writing is open to discussion and debate in the context of the debates going on today on the women's question

The pity is that today there is very little open debate going on these issues What we do have is hardline attitudes and reactions and counter reactions Even the present reply to Ranadive's document reads necessarily like a reaction whereas it should really have been in the spirit of a dialogue The relationship between feminism and socialism is an old one but the modalities are not defined on either side The issues of family sexual relations and organisational structures for women are important and must enter public debate At the same time it is not possible to confine women's politics to 'the personal' The tasks are incomplete, and both have a long way to go Being living ideologies, both contain within themselves much variety, diversity and room for growth The dialogue between them has as much potential for mutual enrichment, provided we are able to enter into it with honesty and openness If this paper goes even a small way in setting such a process in motion it would have been more than justified

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Chairman's Statement

Controls — A Retrograde Anomaly

The following is the statement of Mr Russi Mody Chairman of The Tata Iron and Steel Company [illegible] 1983-89

The [illegible] and harmony which [illegible] in the Company has for the [illegible] played a large part in achieving the [illegible] production of 1 944 million tonnes [illegible] steel during the year

PROFITS

[illegible] performance has also resulted in the highest ever profit [illegible] the Company with a measure of [illegible] launch yet another programme of modernisation To support this the Company introduced the largest ever debenture issue in the private [illegible] and the response [illegible]

PERFORMANCE

3 Performance in all the divisions of the Company [illegible] good with the blast furnaces improving [illegible] the previous year The further lowering of the [illegible] achieved substantial energy savings There was a substantial improvement in the operations of the Raw Material Division The Marketing Division did not lag behind and played a notable part in achieving the profit that the Company has earned I would like to take this opportunity of bringing to your attention the outstanding performance of our Export Division which showed a three fold increase in turnover over the previous year reaching a figure of Rs 93 crores of which Rs 10 crores were deemed export Our next year's target has been set at Rs 130 crores Whatever the Government may feel about the poor performance of Big Houses and large companies the accusing finger can now no longer be pointed at Tata Steel I would like to add that the time has now come for the Commerce Ministry to evolve a scheme whereby exporters of this and greater magnitude are given an incentive in the form of being permitted to retain a very small percentage of their export earnings for their own unfettered use

TRAGEDY

4 Our happiness at these achievements is however marred by a tragedy the like of which we have not experienced before You must all know of the fire that broke out on Founder's Day and which claimed 59 precious lives largely women and children We are doing everything possible to alleviate the suffering of the affected families and a permanent and suitable memorial to those who have perished in the fire will be erected in the form of a Burns Unit in our medical complex The people of Jamshedpur rose to the occasion and rendered every possible assistance led by our magnificent medical team This effort has been acclaimed by everyone including the families of the sufferers I have no doubt that Jamshedpur will carry on as usual but it will be many many years if ever before we can efface the effects of this tragedy

SUPERSTRUCTURE

5 Your Company has launched a Rs 1500-crore Modernisation Programme which together with the continuing Investment Programme over the next five to six years will see the Company invest a total of Rs 2600 crores in additional steel capacity in the implementation of new technologies additional power and a host of infrastructural facilities It will be our endeavour throughout this massive programme of modernisation/expansion to carefully husband our financial resources so that our debt equity ratio continues at the present very satisfactory level and the ability of the Company to pay dividends is safeguarded Government approval in principle was received in October 1988 for increasing the saleable steel capacity from 2 1 to 2 7 million tonnes Government's approval was also received for the import of a Blast Furnace from Portugal and the agreement with the International Finance Corporation Washington for DM 35 million was signed in May of this year

DIVERSIFICATION

6 Apart from our main preoccupation with the production of more and better quality steels as also enhancing skills and training methods your Company has been steadily pursuing a programme of diversification which includes a new slag based cement project now underway and the setting up of a separate company namely Tata Metals and Strips Limited to roll out special quality strips in Western India Side by side Tata Steel's men materials and expertise have been engaged in stabilising and turning around various associated units in which the

PERFORMANCE

		Increase
1	Gross Revenue Rs 1861 77 crores	21 9%
2	Profit before Tax Rs 180 34 crores	60 8%
3	Profit after Tax Rs 154 34 crores	67 5%

Company holds a substantial interest. As regards the Kharagpur Beanings Plant while the technical collaboration agreement with Steyr of Austria for expansion could not be implemented an interim investment plan for increasing the Plant s capacity from 4 24 to 5 20 million numbers has been recently approved and is under implementation

PROSPECTS

7 Confidence in the future however must be tempered with a measure of cautious optimism because costs are continuously rising largely due to factors beyond our control Whilst it is appreciated that State Governments must raise resources an over emphasis on royalty and cess on coal for this purpose eventually puts undue pressure on the consumer of steel Costs are also rising because of the slow implementation of policies and continuance of unnecessary controls over the pricing of steel products and a new policy of liberalisation launched by the Prime Minister in 1984 has been held back in many instances by vested political and other interests who do not relish change Collectively these interests have managed in the past and may manage in the future to slow down the progress of many of Rajiv Gandhi s more forward looking policies

HAMPERING PROGRESS

8 In the socialist world particularly in the USSR the loosening of state control is now equivalent to a direct repudiation of state policy vigorously implemented by the leadership Contrariwise in the world largest democracy state control over the mix of production and over distribution continue to hamper our progress and it is a sad commentary on our thinking processes that socialist dogma should continue to prevail over our desire to end poverty

ABSURDITY

9 All fully aware of my views in regard to control I am not against control if they are necessary but controls for the sake of control are retrograde for a progressive society for instance at the present moment with our economy performing the way it is there appears to be no need for most control except perhaps those necessitated by our depleting foreign exchange resources Certainly there is no need for an Iron and Steel Control The absurdity of the present position in regard to the Iron and Steel Control can be be understood if I quote the relevant portion of the Annual Report for 1988 89 of the Department of Steel Ministry of Steel & Mines

Distribution of Iron & Steel

There is no statutory control on distribution of iron and steel

There are shortages in certain categories of iron and steel material There are to ensure equitable distribution and fulfilment of supplies to important sectors the Joint Plant Committee (JPC) have laid down broad guidelines These guidelines apply only to production from main producers i e SAIL and TISCO The secondary producers do not have to follow the guidelines

Pricing of Steel

There is no statutory control on the prices of iron and steel These are determined and announced from time to time by the Joint Plant Committee a body set up under the Iron & Steel (Control) Order 1956 The Committee is headed by the Development Commissioner for Iron & Steel and the main producers of iron and steel i e Steel Authority of India Ltd Tata Iron & Steel Co Ltd and the Ministry of Railways are represented on it as members The prices announced by this Committee are applicable only to major items of iron and steel produced by the integrated steel plants in the country The re rollers mini steel plants and alloy steel producers etc fix their own prices for their products

10 In spite of the professed nature of decontrol over distribution and pricing the office of the Development Commissioner for Iron and Steel continues to exert pressure in various ways to deny free market conditions to major producers Surely one is entitled to ask whether there is control or there is no control!

DISCRIMINATION

11 There is yet another unfortunate and discriminatory aspect of the above control The present control applies only to SAIL and Tata Steel – in other words the main producers All others such as mini steel plants re rollers and secondary sectors have no price or distribution control Since they constitute roughly one third of the total steel production in India the discriminatory nature of the Iron and Steel (Control) Order is evident

12 At present quite a few varieties of steel are sold at high premiums the e premiums are denied to the integrated steel plants but are allowed freely to be garnered by the uncontrolled sector of the industry In other words Government are encouraging those who provide for themselves against those who would utilise the additional resources by ploughing them back into the development of this industry Without however labouring the point I would most sincerely urge the Government to allow the Steel Industry to run itself for we are fully alive to our responsibilities I feel certain that the Chairman of SAIL feels no differently – and has said so

POSITIVE ROLE

13 These policies apart I would like to acknowledge the help we have received from the Government of India and the State Governments The financial institutions have played a very positive role in our affairs and as usual the support of the shareholders has been our greatest morale booster

14 I must also thank the Tata Workers Union and all our other Unions throughout the Company s operations for their understanding of our problems and for helping us to perform better and better The reward has been the prosperity of the Company which enables all members to share in it

(RUSSI MODY)
Chairman

Note This does not purport to be a record of the proceedings of the Annual General Meeting

Scotiabank
THE BANK OF NOVA SCOTIA

INCORPORATED WITH LIMITED LIABILITY IN CANADA

BALANCE SHEET OF INDIAN BRANCH AS AT CLOSE OF BUSINESS ON MARCH 31 1989

Previous Year Rupees	CAPITAL AND LIABILITIES	Rupees	Rupees	Rupees	Previous Year Rupees
	1 Capital				
	Face value of Securities deposited with Reserve Bank of India under Section 11 2 of the Banking Regulation Act 1949				
40 00 000			40 00 000		
	2 Reserve Fund and Other Reserves				
NIL	Statutory Reserve				
	3 Deposits and Other Accounts				
	Fixed Deposits—				
3 00 00 000	i) From Banks	3 00 00 000			
7 98 19 484	ii) From Others	9 [illegible]			
10 98 19 484			[illegible]		
12 21 709	Savings Bank Deposits		24 [illegible]		NIL
	Current Accounts				
	Contingency Accounts etc				
10 06 628	i From Banks	24 [illegible]			
3 67 00 125	ii From Others	[illegible]			
3 77 06 753			[illegible]		
14 87 47 846				[illegible]	
	4 Borrowings from Other Banking Companies Agents etc				
1 15 98 903	i In India		16 [illegible]		
NIL	ii Outside India		NIL		
1 15 98 903				10 [illegible]	
	Particulars	987	1987		
	i) Secured	NIL	NIL		
	ii Unsecured	1 15 98 903	[illegible]		
21 88 443	**5 Bills Payable**			[illegible]	
	6 Bills for collection being Bills Receivable as per contra				
2 50 52 437	i) Payable in India		[illegible]		
2 43 053	ii) Payable outside India		[illegible]		
2 52 75 490				[illegible]	
	7 Other Liabilities				
21 86 914	i) Unexpired Discounts		[illegible]		
13 60 755	ii) Sundry Accounts		[illegible]		
[illegible]	iii) H O and Branch Balances Net		[illegible]		
[illegible]					
	8 Acceptances Endorsements				

PROPERTY AND ASSETS	Rupees	Rupees	Rupees
1 Cash			
i) In hand and with Reserve Bank and State Bank of India including Foreign Currency notes			2 [illegible] 952
2 Balance with other Banks			
i) Current Accounts —			
i In India	[illegible]		
ii Outside India	[illegible]		
		[illegible]	
ii) On Deposit Accounts —			
i In India	11 23 000		
ii Outside India	NIL		
		11 23 000	
			2 56 007
3 Money at Call and Short Notice			NIL
4 Investments—At cost			
Securities of the Central and State Governments and other trustee Securities including Treasury Bills of the Central and State Governments		4 82 10 678	
i Equity Shares		NIL	
ii Debentures or Bonds		95 00 000	
iii Other Investments		NIL	
iv Gold		NIL	
Market value Rs 5 80 55 578			
1 87—Rs 5 [illegible] 05 000		NIL	
			5 77 10 678
5 Advances			
See Annexed Schedule			
other than bad and doubtful debts for which provision has been made to the satisfaction of the auditors			
i Loans Cash Credits Overdrafts etc			
i) In India	2 09 85 773		
ii Outside India	NIL		
		22 09 85 773	
Bills Discounted and purchased excluding Treasury Bills [illegible]			

8 87 21 733	**8 Acceptances Endorsements and Other Obligations per contra**		[illegible]
[illegible] 21 275)	**9 Profit and Loss**		
	Profit as of October 31 1987	[illegible]	
	Add Profit per the period as per Profit & Loss		
40 61 136	Account annexed	[illegible]	
38 39 861		[illegible]	
	Less Appropriations Transferred to		
NIL	Statutory Reserve	[illegible]	
38 39 861		[illegible]	
	Add Profit for the period from Nov 1 1987 to Dec 31 1987		
95 0[illegible]		NIL	[illegible]
[illegible] 34 884			
	10 Contingent Liabilities		
	i a Guarantees given on behalf of constituents Rs [illegible] 1987 Rs [illegible]		
	b Guarantees given on behalf of officers to the customer for R NIL 1987 Rs [illegible] and to the tax authorities for indefinite amounts		
	ii Outstanding Forward Exchange Contracts Rs [illegible] 1987 Rs [illegible]		
	iii Bills [illegible] Rs 19 [illegible] 1987 Rs 11 50 [illegible]		
[illegible]	[illegible]		

[illegible]		[illegible]	[illegible]
[illegible]	**6 Bills Receivable being bills for collections as contra**		
[illegible]	Payable in India	3 70 08 006	
[illegible]	Payable outside India	30 400	
[illegible]			3 70 38 406
[illegible]	**7 Constitutents Liabilities for Acceptances Endorsements and Other Obligations per contra**		25 72 64 433
[illegible]	**8 Premises (Note 3)**		
[illegible]	Cost as per last Balance Sheet	1 23 24 467	
[illegible]	Add Purchase during the year	NIL	
[illegible]		1 23 24 467	
[illegible]	Less Depreciation written off to date	29 87 943	
[illegible]			93 36 524
[illegible]	**9 Furniture and Fixtures**		
[illegible]	Motor vehicles etc		
[illegible]	Balance Sheet	55 17 25[illegible]	
[illegible]	Add Purchase during the year	6 59 67[illegible]	
[illegible]		[illegible] 935	
[illegible]	[illegible]	NIL	
[illegible]		1 [illegible] 935	
[illegible]		[illegible]	
[illegible]			[illegible] 76 471
[illegible]	**10 Other Assets**		
[illegible]	Interest accrued [illegible]	[illegible]	
[illegible]	Other interest accrued	[illegible]	
[illegible]	Interest paid [illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	
[illegible]			[illegible] 92 716
[illegible]	**11 Non Banking Assets Acquired in satisfaction of claims**		NIL
[illegible]	[illegible]		[illegible] 902

[illegible] annexed

[illegible]

[illegible] Office — India

THE BANK OF NOVA SCOTIA

PROFIT AND LOSS ACCOUNT OF THE INDIAN BRANCH FOR THE PERIOD ENDED 31ST MARCH 1989

[illegible]	1 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	2 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	3 Directors' [illegible] Members [illegible] and Allowances	[illegible]	[illegible]	[illegible]	NIL
[illegible]	4 Rent, Taxes, Insurance, Lighting etc	[illegible]	[illegible]	[illegible]	[illegible]
44 605	5 Law Charges	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	6 Postage, Telegrams and Stamps	[illegible]	[illegible]	[illegible]	[illegible]
25 000	7 Auditors Fees	[illegible]	[illegible]	[illegible]	NIL
[illegible]	8 Depreciation on and Repairs to the Banking Company's Property	[illegible]	[illegible]	[illegible]	[illegible]
1 35 730	9 Stationery, Printing, Advertisement etc	[illegible]	[illegible]	[illegible]	NIL
NIL	10 Loss from Sale of or Dealing with Non Banking Assets	NIL	[illegible]	[illegible]	[illegible]
[illegible]	11 Other Expenditure including Head Office Administration Expense	[illegible]	NIL	[illegible]	NIL
[illegible]	12 Balance of Profit	[illegible]	NIL	[illegible]	NIL
1 25 57 612	TOTAL RUPEES	[illegible]	[illegible]	TOTAL RUPEES	[illegible]

Notes See Statement annexed

Per our report attached to the Balance Sheet

[illegible] R PATIL [illegible]
Chartered Accountants

Sd
[illegible] NAWSH[illegible] [illegible] MIRZA
A Partner

BOMBAY 19th July 1989

R W S [illegible]
Chief Executive Officer —India

NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS AS AT MARCH 31 1989

1 Figures of the previous year have been regrouped to the extent necessary However as the amounts for the current period are drawn up for seventeen months ended March 31 1989 corresponding figures of the Profit and Loss Account for the previous year ended October 31 1987 are not wholly comparable

2 In accordance with the usual practice assets and liabilities in foreign currencies other than forward exchange contracts have been converted at the bank's year end mid rate

3 Premises represent Banks share of 90 60[illegible] in a jointly owned property

4 Bills received from constituents on their behalf are controlled through memorandum registers and are recorded in financial ledgers only when collected These bills for collection outstanding as on March 31 1989 have however been shown in the Balance Sheet as contra under the relevant heads of account

PARTICULARS OF REMUNERATION RELATING TO THE CHIEF EXECUTIVE OFFICER IN INDIA FOR THE PERIOD ENDED MARCH 31 1989

	17 months period upto 31 3 1989 Rs	Previous Year Ended 31st October 1987 Rs
i Salary	[illegible]	2 04 000
ii Allowances	NIL	NIL
iii [illegible] Fees	NIL	NIL
iv Bonus	NIL	NIL
v Employer's contribution to Provident Fund Pension Fund or any other Superannuation Fund	NIL	NIL
vii Payments made by way of gratuities pensions or otherwise in excess of the employer's contribution or interest thereon	NIL	NIL
viii Estimated monetary value of any other benefit or perquisites	1 90 210	1 93 947
TOTAL	4 79 210	3 97 947

THE BANK OF NOVA SCOTIA

INCORPORATED WITH LIMITED LIABILITY IN CANADA

PARTICULARS OF ADVANCES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT CLOSE OF BUSINESS ON MARCH 31 1989

Previous Year Rupees	PARTICULARS OF ADVANCES			Rupee
[illegible]	[illegible]		[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]

AUDITOR'S REPORT ON THE INDIAN BRANCH OF THE BANK OF NOVA SCOTIA

UNDER SECTION [illegible] OF THE BANK [illegible] REGULATION [illegible]

INCOME TAX SURVEY

We come to meet you

Income tax Department is conducting Survey Operations of business and professional establishments all over the country Survey Team is to help you and its purpose is to widen our tax base

Blank Survey Forms have been supplied in advance to your Trade/Professional Associations and these are also available with the Public Relations Officers in the Income tax Department Please contact them, obtain these forms and keep them filled and ready with you

When a Survey Team visits you, please

- Hand over the completed form to the Survey Team
- If you need any clarification or assistance ask the Survey Team to help you

It is in your own interest to extend full cooperation to Survey Teams

In case of any difficulty please contact your nearest I T O /Assistant Commissioner/ Dy Commissioner/Commissioner/Director of Income-tax/Deputy Director of Income-tax (Inv)

INCOME TAX DEPARTMENT

davp 89,56

New Perspectives on Women's Work

Sujata Gothoskar

Women and Work: An Annual Review edited by Barbara A Gutek, Ann H Stromberg and Laurie Larwood. Volume 3. Sage Publications, New York. pp 291. $ 35.

RECENTLY there has been a great deal of research and debate on the issues relating to women's work nationally and internationally. These have encompassed a very wide range of topics: women's paid and unpaid work, discrimination against women, especially certain sections of women, women's occupational health and safety, women and trade unions, the global economy and the international sexual division of labour and so on. The book under review, a collection of 11 articles, is among the more recent contributions in this area.

The three editors have brought out two earlier volumes on Women and Work. While these largely restrict themselves to women's work in the US, this third annual review published in 1988 attempts to cover experiences and analysis from other countries. The volume features a six chapter symposium on An International Perspective: Widening Our Horizons. The horizons that the editors are concerned about are multi-dimensional. First, there are national boundaries which despite the commonalities of experiences of working women restrict their sharing. Second is the language barriers. Third is the disproportionate emphasis on some sections of the workforce, e.g. executive women, and a relative neglect of other important sections. Fourth is the boundary of particular discipline, the researchers belong to. The underlying basis of this volume is that an international multi-disciplinary perspective is likely to help us in transcending some of these limits, reduce the isolation of our scholarship and result in more collaborative and better informed endeavours. There is also the increasing realisation in this volume and in many recent contributions of global interdependence between different countries and similar trends in the movement, the impact of capital and the implications of these on women workers.

An important area that needs a place in any attempt at widening the horizon is a discussion on the subsistence production activities women in almost every country are involved in. These include a myriad types of work from fuel and fodder collection, walking for miles to fetch water, preparation of food, cleaning, washing, house repair, childcare, animal rearing and so on. This crucial but invisible work of women is unfortunately not very visible in either this volume or in earlier ones. This is especially important when one is looking at women and work and not merely at women's unwaged work. However, this volume does include some very valuable articles. Besides, each article has at its end a very useful list of reference books, articles, etc.

Within the broad framework regarding women's work outlined above, this book includes a very wide range of articles dealing with very diverse topics, ranging from a macro perspective on women's work in the global economy by Ward to getting very close to the workplace to examine the impact of the sex composition of the workplace on friendship, romance and sex at work by Haavio Mannila et al. With the latter concerns is also an interesting article on the horizontal and vertical relationships between women in the workplace by O'Leary. This wide expanse itself renders a simple straightforward summary or review very difficult.

An important debate that has raged recently and which has very concrete implications relates to the entire nature of multinational corporation employment and its short and long-term impact on women workers in different countries, whether women have experienced these as economic liberation or economic subjugation. Do jobs in the global assembly line mean some control by women on their labour power and their lives or do they merely result in reshaping women's subordination? Ward argues that in the long run women's economic dependence on these plants, men and their families is recomposed and perpetuated through low wages, limited job stability and untransferable training, making them all the more vulnerable when multinationals ultimately move out.

The case study of Hispanic women in the electronics and garment industry in the US discussed by Fernandes Kelly and Garcia illustrates the point further. The experience documented here is an almost universal one. The electronics and the garment industry are two sectors that have been at the forefront of internationalisation since the early 1960s. Both these share a number of features at an international level: the very low wages they offer to industrial workers, their heavy reliance on sub-contracting, the predominance of small operations hiring fewer than twenty workers, their heavy dependence on women workers. While the garments and electronics industries have been pioneers in their drive for economic restructuring aimed at lowering production costs and maintaining a competitive edge in the domestic and international markets, other industries internationally have followed suit. Other strategies industry has employed include sub-contracting, encouraging home based production and ceaseless modernisation. These trends have given rise to a shrinking of blue-collar employment in the organised sector, an increase in the service sector and a continual increase in the informal sector.

This picture crisis crosses with another in which women workers are subject to active discrimination in the organised sector, because they are women. In this book Gwartney Gibbs while refuting the theory of women's rusty skills due to discontinuity in employment underlines that it is rather the discrimination and the structural characteristics of employment such as occupational segregation, etc. that detrimentally influence women's earnings and cause the male-female wage gap. Another angle to discrimination perpetuated against women is discussed by Larwood *et al.* in their analysis of the rational bias theory. They conceive of discrimination as the consequence of self-interested managers making personnel decisions concerning subordinates based on the managers' own careers rather than on the abilities of their subordinates. Our own research in India has indicated that discrimination against women in industry is also based on the management calculations of costs versus benefits regarding the employment of men or women. Before protective legislation was enacted and before the union movement gathered strength, women were equally if not more attractive propositions for the management. However gradually the picture changed. And today less women are employed in the organised sector and more women relative to men in the unorganised or informal sector.

This is often aggravated by the situation of the particular nation state as e.g. the debt crisis in Bolivia and in many other developing countries in Latin America and elsewhere. Women are burdened with increasing workloads and less remuneration for it due to economic stagnation, impoverishment and curtailment of welfare programmes. These factors push more women into the informal economy. The pressure of the struggle for survival itself involves women workers in attempts to struggle for a better deal. As Nash comments in her article on women in Bolivia, as the crisis deepens, the class struggle has moved from the sites of production to the household, the community and the right to survive becomes a revolutionary issue. Women's primary responsibility for the survival of family members puts them in the vanguard of political mobilisation around these claims to live.

These motivations and compulsions that impel women workers to struggle would also lead them to work for concrete alternatives that gradually but radically change their work and life situation. These attempts would be strengthened if there are changes in the economic policies of government development agencies and voluntary organisations. One of the perspectives suggested by activists working with women

workers is an attempt at alternative community need based production centres of women [illegible]

[illegible] appointed to the party's [illegible] level appointment [illegible] but the care promises that [illegible] job will be provided for women that child allowances for poorer families will be increased and that partly paid maternity leave will extend to 18 months.

One of the most important aspects of women's work discussed in many countries, most often by union women, is commitment to paid work and women's commitment to trade unions. In the [illegible] almost every union in the UK for example has a women's chapter, there are regular women workers [illegible] conferences and training programmes for women unionists and [illegible] stewards in the US [illegible] looked at [illegible] they have handled their union, family and employment responsibilities. In the US since the founding meeting of the Coalition of Labour Union Women (CLUW) which was attended by 3,500 women unionists from all parts of the country, many changes have occurred within the trade union movement including a shift in union membership, leadership and some policies.

Research in many countries of the west and in Asia as well as our own experience in India indicates that unions have had an [illegible] with regard to their treatment [illegible] unions have excluded or ignored women as well as fought with determination [for] women's rights. And in the organised [sector] the union is the only institution [illegible] workers including women in [illegible] for wages and working conditions. However, though unions are vital organisations for women workers, women [illegible] have found it difficult to maintain their [illegible] involvement in unions. Some of the difficulties reported by women unionists in Roby and Uttal's study were the lack of recognition of women's domestic responsibilities as evidenced by the organisation of union activities, problems with the way the union schedules its meetings, lack of child care facilities during union meetings.

Our own research in Bombay indicates that these problems inhibit women from maintaining their active involvement in the unions which gradually become male institutions and rarely take up issues that affect or involve women members and a vicious circle is created which causes greater exclusion of women alienating them further from the union.

However in many countries and as reported by Roby and Uttal too women workers *have* taken the first step to end this exclusion. Many concrete suggestions have been given by them. And if the present leadership is sensitive to these a very different picture may emerge in the 1990s regarding not only women and unions but also with regard to the entire issue of women's work.

The present book is an important contribution towards attempting to understand this picture and change it. Hence it would help women unionists as well as researchers and scholars if these volumes were available at lesser costs in paperback editions.

Approach to Pricing Policy

Ram N Lal

Pricing Policies and Price Control in Developing Countries by K D Saksena; Frances Pinter, London, 1986; pp 240.

IT is now accepted that a pure competitive market [illegible] of the kind [illegible] the market [illegible] in all countries of the [illegible] without exception. Their acceptance [illegible] to the purely capitalist or purely [illegible] economies nowhere exist now. They remain only conceptual models. Conditions like market imperfections, situation of unemployment, necessity of regulation, the [illegible] of certain strategic macro [illegible] variables like consumption, saving, investment etc to realise certain rates of growth conforming to certain pre-determined economic structure, these and many other economic and social objectives necessitate in non-centralised economies as well proper regulation and control of prices constantly. In other words, the question of determining the objectives, nature and magnitude of appropriate pricing policies needs to be squarely faced both in developing as well as developed countries. For developing countries the question may often be considered as far more complex and serious than in developed ones. A profound treatment of this subject had hardly been witnessed earlier and in practice there have been more or less only *ad hocism* and the method of trial and error to be relied upon. From this point of view the present book by Saksena is a welcome addition to a very meagre stock of literature on the subject. To developing countries it is bound to [illegible] a guide in formulation of price control policies. A rather tricky subject has been dealt with refreshingly with a fair degree of conviction arising out of a firm grasp of pricing theory and hard core experience of struggling with the formulation and implementation of pricing policies in a vast country like India.

Do we really need a theory of price control? To what extent can economic theory by itself explain factors and compulsions which necessitate price control policies? How far can price control measures effectively deal with distortions which keep on emerging in the process of growth in the relative price structure, resource allocations and income distribution caused by market imperfections? In what way do price measures differ from other economic measures like monetary, fiscal and physical policies? What should be the degree and forms of price controls? What considerations should enter into determining the levels of controlled prices? What administrative procedures would be necessary to make price control policies effective? What lessons can be drawn from experiences of different countries in this regard? These and many other related questions have been dealt with and answered with competence in the first 10 chapters. The important topics discussed are as follows: the case for price controls and price policies; the nature and objective of pricing policies; theory of price controls; some general issues relating to pricing policies; some problems and issues relating to the determination of controlled prices; marginal cost pricing versus average cost pricing; the problem of rate of return in relation to price controlled industries; duel pricing; some aspects of price controls and pricing policies in India; and growth performance and pricing of public enterprise in India. In the end the book draws together the main conclusions and lessons of the study which are very relevant to the policy makers in developing countries. Thus, it covers a very wide canvas and the treatment of each topic is penetrating.

There have been attempts to develop some kind of separate theory of price control in the past Two such theories deserve mention (1) *Theory of Price Control* by Von Mises (1968) and (2) *A Theory of Price Control* by J K Galbraith (1980) Von Mises undertakes a stout defence of the free functioning of the market mechanism According to him any price fixed by the external agency at any level other than the one determined by the free play of market forces will finally create conditions either of excess demand or excess supply thereby defeating the very purpose of price control and may cause the economy to slip into the vortex of more and more price controls leading to a long chain of controls Galbraith on the other hand has tried to provide an interpretation of how price controls were actually conceived of and operated in some countries during the second world war and in this process he attempted some generalisations suggesting a framework of economic policies which need to be followed The present author skilfully demolishes the arguments of both the above authors and concludes that there is no need to develop any separate theory of price control nor could such a theory possibly be developed because this subject falls in the domain of policy which may be based on political ideology or value judgements

Once it is agreed that in the modern world no economy can escape price control measures certain specific questions come up for consideration When should price controls be resorted to? Which commodities and at what times need they be brought under price discipline? What should be the relationship between price control measures and the measures to control production and distribution? Do price control measures need to be supplemented and reinforced by other measures? How long should price control last? What should be the nature and form of price controls? What should be the institutional arrangements necessary for the formulation implementation and monitoring of price control?

Answering these questions with a clear understanding of economic situations and differing institutional arrangements in itself requires great ingenuity on the part of any author The present author however sails through these issues smoothly and is not bogged down by the complexities of the problems posed thereby In his attempts to do so he has tried to learn greatly from the experiences gained in the EEC and other countries This makes the study quite impressive and useful

In a developing country raising resources for development poses very difficult problems and creates anxious periods in the development process It requires a very careful balancing of monetary fiscal pricing and direct physical measures at each stage of development Pricing policy in respect of goods produced by public and other enterprises may have to be viewed in relation to the taxation (positive and negative) policies of the country On occasions it may have to be used as a proxy for taxation measures also To what extent pricing policies of public sector enterprises should be considered as substitutes for taxation policies has been the subject of debates because both the measures have their plus and minus points According to the author raising the controlled price to include a contribution to the development funds might not always be advisable There may be cases when prices of goods have to be kept sufficiently low to make it affordable by the bulk of the consumers He rightly feels that any exercise to fix a controlled price has to be based on a study of the industry producing the particular commodity which covers all relevant aspects such as the regional and overall demand and supply position the estimated gap between actual and projected production and requirements the causes of shortages and the remedial measures necessary for their speediest possible removal so that the control can be lifted

The question of how to calculate costs to determine controlled prices by itself is confronted with many difficult and knotty issues The questions relate to cost benefit analysis freight equalisation arrangement marginal cost pricing versus average cost pricing measuring rate of return (with different bases for such measurements like capital employed net worth turnover output value added etc) determination procurement or the levy rate under a system of dual pricing these and many other related thorny issues are faced by the policy makers Each of these issues requires to be attended to carefully as there is no unique answer for any of these The answers would depend very much upon the situation confronted with at anytime The author has discussed these intricate issues competently

It is difficult to disagree with the author view that pricing policies and price control measures raise enormous complicated issues which change their character with changing situations In order to deal with them effectively an appropriate institutional set up is needed which would be required to deal with formulation implementation enforcement and monitoring of price control measures Various types of price setting and management bodies have been tried in India and elsewhere National prices committees in France price commission in Belgium erstwhile price and income board in Britain agricultural price commission and bureau of industrial costs and pricing in India may be cited as examples of these The author has discussed at length the importance role and functions of these institutions He feels that apart from setting up these institutions there is a need to streamline or evolve suitable administrative procedures both in the internal procedures governing the institutions which are engaged in formulation implementation and enforcement of price control measures and in the procedures within the government ministries or departments concerned According to him it is imperative to minimise the delays and reduce the level of corruption at various levels and stages of the implementation of the pricing policy and enforcement of the price control measures

Finally he devotes attention to the growth performances and pricing of public enterprises in India In this context he makes a comparative study of public sector versus private sector in respect of growth investment rates of growth of gross domestic product gross and net saving and capital formation capital employed cost structures net profit internal resources inventories tax revenues etc On the basis of these studies he arrives at certain significant conclusions which are of far reaching significance to the policy makers The available evidence shows that controlled prices in India have moved more or less in line with the general price level Secondly growth in capacity profitability production capacity utilisation and resource generation in price controlled industries have not been lower than non price controlled industries These conclusions go contrary to the commonly held belief that the performance of price controlled enterprises has a tendency to lag behind the non price controlled industries These findings are of great importance to those who are in charge of economic management at the aggregated and disaggregated levels

In concluding the author has a message to the managers of price controlling bodies He feels that there is a

> need to simplify the system of statutory price controls build up an efficient monitoring system abolish the multiplicity of price fixing bodies build up a powerful consumer movement and foster voluntary organisations at the grassroots level to ensure the proper functioning of public distribution system make the entire system of price control productivity and efficiency oriented and adopt a consumption policy to minimise the burden of subsidies and to reap rich dividends

Similarly on the basis of his analysis of empirical evidence he wants the readers to realise that profitability of public enterprises (which now occupies a prominent place in the Indian economy) has been very low indeed and he has indicated several remedial measures to bring about improvement in the situation Evolving an effective price setting system and a system of accountability at different technical and managerial levels effective demand arrangement and regular periodic review of the performance by the administrative ministries or the departments concerned may be cited as some few important measures suggested by him

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KANPUR

NOTICE

[illegible] public that **J K Synthetics Ltd** proposes to give to the Central Government in the Department [illegible] under Sub section (1) of Section 21 of the Monopolies and Restrictive Trade [illegible] their Undertaking Brief particulars of the proposal are as under

[illegible]	**J K Synthetics Limited,** Kamla Tower Kanpur (U P)	
[illegible] Owner Organisation [illegible]	Authorised Capital (Rs lakhs)	Issued Subscribed & Paid up (Rs /lakhs)
[illegible]		
[illegible]	8500 00	3843 36
[illegible]		
[illegible]	100 00	100 00
[illegible]	1200 00	300 00
[illegible]	200 00	100 00
	10000 00	4343 36
[illegible]	Jhalawar (Rajasthan Category Backward Dist)	
4 In case of expansion relates to the production storage supply distribution marketing or control of good indicate		
i Name of Good	Nylon Industrial Yarn Tyre cord	
ii Licensed capacity turnover before expansion	2000 tpa	
iii Expansion proposed	10000 tpa	
5 In case the expansion relates to any service state the extent of expansion in terms of usual measure such as value turnover income etc	Not Applicable	
6 Cost of the project	Rs 105 00 crores	
Scheme of finance indicating the amounts to be raised from each source	Rs crore	
i Internal Accrual	25 00	
ii Debenture	50 00	
iii Foreign Exchange loan External Commercial Borrowing Deferred payment Supplier credit	25 00 5 00	
	105 00	

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within fourteen days from the date of publication of this Notice intimating his views on the proposal and indicating the nature of his interest therein

for **J K SYNTHETICS LIMITED**
Sd/
(J P BAJPAI)
SECRETARY

Registered Office
Kamla Tower
Kanpur

Dated 3rd day of July 1989

JAYKAY

LALIT

Establishing an Offshore Financial Centre in India

Proposal Revisited

S K Verghese

It is appropriate to reassess the scope and nature of India's external financial market links in the light of the major changes that have taken place in the international financial markets as well as in India's own external financial position and to see whether any change in our policy on establishing an offshore financial centre in India is called for. This paper discusses whether the recent financial market developments have made it more opportune for India to establish an offshore centre and whether the potential costs-benefits of such a centre have become more favourable today than they were in the early 80s.

THE proposal for establishing an offshore financial centre in India which attracted considerable attention in the early 80s has been revived in recent months. Substantial changes have taken place in the international financial markets in the meantime. The external financial position of India has also altered markedly. It is therefore appropriate to reassess the scope and nature of our external financial market links to see whether a change in our policy on establishing an offshore financial centre in India is called for. The objective of this paper is to explore whether the recent financial market developments have made it more opportune for India to establish an offshore centre and also whether the potential cost benefit of such a centre have become more favourable today than in the early 80s. Section I delimits the scope of the subject under discussion while Section II analyses the developments in the international markets that have a bearing on offshore market. The cost benefit aspects of an offshore centre are dealt with in Section III.

I

Nature of Financial Linkages

In order to keep the discussion on the track it is important to be clear about the nature of the financial linkages that can be envisaged. Due to the sharp decline in the role of direct financial intermediation by banks in recent years and the growing importance of non bank financial markets it is appropriate to enlarge the scope of this article under the broader title offshore financial centre rather than offshore banking centre which was the focus in the early 80s.

The nature of involvement between the domestic and international markets can take the form of financial integration (some commentators refer to this type of integration in the case of India), borrowing or lending or international banking business by home country banks or renting of geographical location for undertaking international business or a combination of these functions. The legal and institutional framework the direct costs and benefits to the host locale and also the wider implications for the domestic economy will vary significantly depending on the exact nature of the linkages between the domestic and international financial markets.

Financial integration essentially means financial inflows and outflows between the domestic and international markets unhindered by officially imposed barriers such as exchange controls trade controls and fiscal and monetary disincentives. Other barriers particularly exchange rate risks institutional rigidities differences in maturity and credit risks etc may still exist. But complete freedom for financial flows between countries will increase the degree of choice for asset substitution both to resident and non resident asset holder. Thus in the decision making process of individuals and corporations development in foreign markets constitute an important factor in an integrated market situation. At present only a few developed countries are financially integrated. Many European countries and almost all developing countries have officially imposed restrictions on capital flows although current account transactions are relatively free. Even Japan had shut out her financial markets until the early 80s to conserve her domestic savings for domestic investment. Even now though Japan's money markets are to a large extent integrated with the European market the long term financial market remains unintegrated. At the present stage of India's economic development and the highly vulnerable balance of payments position very few will seriously recommend the integration of the domestic markets with the international markets. This position is unlikely to change in the foreseeable future. India also for the same reason cannot aspire to be an investor (lender) in the international markets. Thus the nature of the inter linkages between the Indian and international financial markets narrows to a borrower status, role as international bankers and also an offshore financial centre. However the proposal for establishing a centre has been made mainly to provide the institutional modalities for increasing Indian markets linkages with the international markets i e to borrow from overseas markets and to promote international banking business.

For a realistic evaluation of the scope for establishing a financial centre and its cost benefit to India it is necessary to take stock of the distinguishing features of offshore centres and their performance in recent years in the context of the basic developments that have taken place in the financial markets in the 80s.

II

Developments in International Financial Markets

DISTINGUISHING FEATURES OF OFFSHORE CENTRES

There is considerable heterogeneity in the range of functions performed and the regulatory privileges enjoyed by different offshore centres. No doubt they are part of the growing eurocurrency markets. The classification of certain centres under offshore centres is rather arbitrary. But what distinguishes an offshore centre from other eurocurrency centres is that in offshore centres the host countries have artificially created international financial business by conferring monetary and fiscal privileges. Besides the external transactions of the banks and non bank financial units engaged in offshore business are segregated from the general books and records of participating banks primarily for regulatory purposes and also for insulating the domestic financial markets from offshore transactions. On the other hand major financial centres like London New York Paris, Switzerland and recently Tokyo have been developed spontaneously by market participants converging there to take advantage of the natural business potential. In these

centres, external financial transactions are not artificially segregated on the books and records of the offshore financial institutions. On the eurocurrency business in major euromarket centres like London reserve requirements, withholding taxes etc. are not imposed, similar to that of offshore centres. Though the US and Japan are natural international financial centres because of their economic importance in the world and the use of their currency and financial markets internationally, both have established offshore centres (International Banking Facilities or IBFs in the US in December 1981 and Japan offshore market or JOM in December 1986 by Japan) through special schemes conferring regulatory privileges on participating banks and financial institutions. It is hard not been for the IBFs which represent a free banking zone, international transaction denominated in the US dollar would have not qualified for exemption from reserve requirements, interest rate ceilings then in effect, deposit insurance coverage, etc. JOM was established to enable financial institutions in Japan to undertake wholesale international banking business and it has been patterned on the IBFs model.

Among the offshore centres there are two categories, viz. tax havens and regional financial centres. It is the aspiration of all offshore host countries to develop into regional financial centres but that is contingent on greater interlinkages between the host financial markets and the offshore centres as also the availability of allied services (lawyers, accountants, international broking services, etc.) and potential borrowers and lenders in the hinterland. In Singapore and Hong Kong, the two regional centres, the bulk of the offshore business is still interbank transactions. Several of the offshore centres even today are tax havens which impose zero or low rates of tax and also offer a high degree of banking and commercial secrecy. The activities of some of the tax havens, also other euromarket centres, have become more seedy in recent years due to the adeptness developed by bankers, lawyers and trust company operators in fivering the secrecy of transactions through highly complex arrangements involving offshore banks, trust companies, subsidiaries, etc. The sophisticated facilities of offshore centres are increasingly used for laundering concealed income from fraud, tax evasion, drugs and arms trafficking, and kick backs received by politicians and administrators. After extensive investigations, a staff study by the United States senate permanent sub committee on investigations came to the conclusion that crime which exploits offshore haven banks, trusts and companies were extensive and expanding and it challenges the basic assumptions regarding the ability of federal and state authorities to enforce the law.[3] The US continues to maintain its relentless pressure on offshore host countries for greater disclosure and supervision of international banking business.

The reason for the use of offshore centres for crime-related financial transactions is the existence of specific secrecy or blocking statutes or common law precedents or sanctioned practices which deny access to informations on bank accounts, money transfers and identity of beneficial owners of bank accounts and registered companies. The main tax havens are in the Caribbean region, the Bahamas, Bermuda, The British Virgin Islands, the Cayman Islands and the Netherlands Antilles; in Europe, the Channel Islands, the Isle of Man, Liechtenstein, Luxembourg and Switzerland (Switzerland is not considered as an offshore centre as no special privileges are conferred for promoting international business.) In the Asia Pacific region, Hong Kong and Vanuatu are the main tax havens.

Recent Performance of Offshore Centres

The share of offshore centres in the external assets of banks in major selected financial centres declined from 25.7 per cent in 1983 to 22.4 per cent in 1988 and their growth rates have slowed down in recent years (see Tables 1 and 2). Part of the reason for the declining share of offshore centres has been the remarkable growth of Japan since 1985 as a financial centre and also the decline in the syndicated credit sector of the euromarkets. A close examination of the centre-wise business of offshore centres in developing countries shows that with the exception of Singapore and Hong Kong, the business of most centres either stagnated or has declined in 1987 and 1988 as compared to earlier years. The more adversely affected are the Bahamas (non bank credit from Bahamas sharply declined), Panama and the Netherlands Antilles, Bermuda, Barbados, Lebanon, Liberia and Vanuatu have hardly managed to secure any reckonable business in recent years. External assets of Hong Kong and Singapore were about $ 309.7 billion and $ 248 billion respectively in 1988. In both these centres interbank transactions predominate, i.e. they are 78-81 per cent on the asset side and 80-100 per cent on the liabilities side. Non bank credit accounted for 18.5 per cent of the total offshore bank credits in Hong Kong and about 27 per cent in Singapore in 1988 (see Tables 1 and 2).

The assets of the IBFs of the US have increased at a lower rate after the initial spurt in the activity in 1981-83. According to a staff study of the board of governors of the Federal Reserve System (US) in 1988, The consensus in the banking community is that the IBFs have not created substantial amount of new business. Rather the business now on the IBFs books was either shifted there from establishing entities or their foreign offices or would, in the absence of IBFs, have been booked at established entities or their foreign offices. In the case of large US chartered banks, most of the assets and liabilities shifted to IBFs were originally on the books of their foreign branches. Because many of the transactions booked at Caribbean branches of US banks were actually conducted in New York or other financial centres in the United States, IBFs simply permitted a more rational and operationally efficient pattern of booking for such transactions. As a result, there do not appear to have substantial income or employment gains in the United States associated with the introduction of IBFs.' The FED study concluded that 'IBFs have not turned out to be the dramatic innovation that some had predicted.'[4]

The experience of JOM (Japan) is not any different from that of the IBFs. The initial growth of business attributable to the shifting of business from overseas branches to the books of the JOM has not been maintained in 1987 and 1988. The nature of the round tripping characteristic of offshore business is evident in the JOM also. For instance, a significant part of the $ 37 billion of new funds taken up by the banking units of the JOM in 1987 was on lent to related offices, mainly in other Asian centres. These funds were in turn rechannelled through the Japanese banking system to domestic non bank customers.

Current Features of International Financial Markets and Their Implications

International financial markets have undergone substantial changes in terms of the scale of operations (market size), global integration, innovative financial and derivative products and also regulatory measures on the part of supervisory authorities to manage the risk exposures of banks. Are these developments more favourable for the establishment of an offshore financial centre in India? It would be useful to examine carefully the current market features and their implications for the proposed Indian offshore centre. The following are some of the main features having a bearing on offshore centre business.

(1) The growing integration of financial markets and the ease for financial outflows and inflows unhindered by official controls have in fact reduced the importance of offshore centres. This fact has been confirmed by the IMF's *World Economic Outlook* (1989) which observes that 'the growing integration of financial markets and the sharp fall of data processing and telecommunication costs have encouraged investors in many countries to diversify portfolios across borders, thus reducing the importance of physical proximity to offshore centres'.[5] There is an allied facet of the financial integration that further reduces the importance of offshore centre business. As domestic financial markets of a large number of developed countries have been liberalised, the business which earlier was driven offshore by domestic restrictions is likely to come back onshore to a large extent except the business of centres which offers protection due to the provision of secrecy or significant tax advantages. Some banks have

already started closing down their business in those centres which offer little natural business The centres affected so far include Bahrain Bahamas Panama and Bermuda

(2) Similarly the application of uniform rules for supervision of international banking business on a consolidated balancesheet basis particularly those applicable on capital ratios liquidity ratios will remove some of the major incentives for offshore outfits There is now greater evidence of a tendency for integration of offshore and onshore business and their location in home countries or in major financial centres

(3) Another development which will have an adverse effect on offshore centres is the sharp decline of direct financial intermediation by banks and the growth of securitised lending (capital market activities such as bonds euronotes commercial papers etc) and the increased use of financial packages involving currency and interest rate swaps options and multi-option facilities. For raising funds directly from the markets, proximity of investors, time-tested infrastructure for primary sales of financial intstruments, custody and transfer of instruments and opportunity for developing active secondary markets are necessary Besides, major borrowers in the securities markets are the corporate entities from the developed countries. Even before the current boom of the securities markets took place it became increasingly evident that central bankers and wealthy individuals tended to bypass peripheral offshore centres like Bahrain and preferred to deal directly with major centres like Tokyo London Zurich New York, etc, because of their investment opportunities and expertise The exaggerated expectation of becoming a significant collection centre for OPEC deposits by Bahrain did not materialise even before the OPEC funds dried up

(4) The changes in the pattern of source of funds and the home country of banks and securities firms dominating the financial markets will have significant implications for the future of offshore centres Between 1983 and 1988 the external claims of banks (foreign currency and domestic currency claims on foreign residents) of selected major financial centres (the UK the US Japan France Luxemburg Germany Belgium, Australia and offshore centres in developing countries) more than doubled from $ 2172 2 billion to $ 4509 4 billion The share of Japan rose sharply from 5 per cent to 16 3 per cent whereas the share of the US declined from about 20 per cent in 1983 to 13 4 per cent in 1988 The share of the UK has also declined from 22 3 per cent to 19 9 per cent during the same period (see Table 2) Most European countries registered either declining or stagnant shares in international financial business As far as the international banking market is concerned the Japanese market has already superseded London

(5) A similar remarkable change has occurred in the source pattern and intermediation channels of net private financial flows Japan and West Germany have emerged as the main sources of net private capital flows since 1985 as counterparts of their large and persistent current account surpluses According to IMF private capital outflows from Japan increased from $ 11 8 billion in 1982 to $ 50 6 billion in 1985 and further to $ 63 9 billion in 1988 Capital outflows from West Germany rose from $ 3 8 billion in 1982 to $ 36 4 billion in 1985 and $ 68 0 billion in 1988 However the differences between the two countries in terms of maturity profile, types of instruments and intermediating institutions have been significant In Japan, long term portfolio investment outflows through non bank institutions were predominant direct investment also registered significant increase while bank intermediation was less However large inflows of short term capital took place through the banks in Japan which they reinvested in ex-

TABLE 1 EXTERNAL ASSETS OF OFFSHORE CENTRES
(End of the period)

(Billion US dollars)

		1983	1984	1985	1986	1987	1988
Hong Kong		67 56	78 75	101 17	155 23	266 50	309 74
Singapore		88 23	101 37	120 47	161 98	209 84	248 10
Bahrain		54 61	55 02	50 71	50 92	59 73	65 22
Bahamas		157 24	147 07	143 06	151 16	163 00	156 10
Cayman Islands		131 28	143 59	167.20	199 83	242 53	--
Netherlands Antilles		10 25	7 71	6 61	5 97	6 95	7 19
Panama		37 29	32 34	33 09	33 62	32 52	9 18
Bermuda	Cross border inter bank claims	3 50	3 84	3 95	4 60	5 03	4 98
	Non bank credit	0 09	0 14	0 17	0 22	0 25	0 17
Lebanon	Cross border inter bank claims	4 61	3 25	3 27	2 99	3 18	
	Non bank credit	0 55	0 33	0 33	0 23	0 22	
Liberia	Cross border inter bank claims	0 04	0 01	0 02	0 02	0 02	0 02
	Non bank credit						
Panama	Cross border inter bank claims	37 29	32 34	33 09	33 62	12 76	9 92 (2nd Qr)
	Non bank credit	25 92	23 23	23 02	22 59	22 49	7 00
Vanuatu	Cross border inter bank claims		-	2 1	2 29		
	Non bank credit	0 07	0 04	0 12	0 12	0 13	0 01
IBF(USA)	Liabilities	156 7	176 1	193 6	249 0	306	335 9
	Assets	172 4	189 7	202 8	240 5	277 3	309 4
IOM (Japan)							
	Liabilities				88 0	191 2	328 0
	Assets				88 7	191 9	331 0

Source IMF *International Financial Statistics* May 1989 and BIS August 1988 *International Banking and Financial Market Developments* (Paris May 1989)

TABLE 2 EXTERNAL ASSETS OF SELECTED INTERNATIONAL FINANCIAL CENTRES
(End of the period)

(Billion US dollars)

	1983	1984	1985	1986	1987	1988
Australia	0 18	0 91	1 48	3 63	5 40	6 41
Belgium	66 20	71 61	92 63	117 93	149 13	148 54
Canada	40 97	41 21	44 17	50 74	50 73	44 12
France	144 46	145 34	170 90	202 23	266 41	264 68
Germany	74 76	75 23	112 93	178 48	232 61	229 71
Japan	109 06	176 92	194 62	345 33	576 83	733 69
Switzerland	162 38	161 83	205 46	253 44	331 95	319 06
UK	485 21	489 71	590 07	715 56	875 71	883 62
USA	433 13	443 37	446 78	506 70	548 72	603 39
Luxembourg	103 48	101 78	131 48	173 05	227 60	223 22
Offshore centres of dev countries	546 45	565 85	622 32	758 70	973 26	1052 99
Total	2172 27	2213 03	2612 27	3305 79	4238 35	4509 43

Source IMF International Financial Statistics May 1989

S K Verghese Tables (T pc 13)

FORM IIA

[See rule 4A(1)]

NOTICE

It is hereby notified for the information of the public that INDIAN ALUMINIUM COMPANY LIMITED proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under sub-section (2) of section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the establishment of a new undertaking/unit/division Brief particulars of the proposal are as under

1	Name and address of the applicant	INDIAN ALUMINIUM COMPANY LIMITED 1 Middleton Street Calcutta 700 071
2	Capital structure of the applicant organisation (i) Share capital	Equity (Rs) / Preference (Rs)
	(a) Authorised	79 60 00 000 / 40 00 000
	(b) Subscribed and paid up	41 49 66 580
3	Management structure of the applicant organisation and the names of the directors including managers, wholetime directors and managers of any	The Company is managed by a Board of Directors. Names of the Directors are Field Marshal Sam Manekshaw Chairman T D Sinha -Vice Chairman V S Sachdev Managing Director C W Birkett G Chidambar F K Choksey K Dasgupta A A Hodgson R K Bhargava Alternate for A A Hodgson and also wholetime employee A L Mudaliar P K Pal T Mitra Alternate for P K Pal and also wholetime employee H T Parekh B R Sule
4	Indicate whether the proposal relates to the establishment of a new undertaking or a new unit division	The proposal relates to the establishment of a new undertaking by the name Indal Exports Limited a company incorporated under the Companies Act 1956 for export of product manufactured by Indian Aluminium Company Limited and other parties together with the business of import trading etc
5	Location of the new undertaking unit division	Registered office 41 Chowringhee Road Calcutta 700 071
6	Capital structure of the proposed undertaking Share Capital Authorised Subscribed & paid up	Equity (Rs) 20 00 000 70
7	In case the proposal relates to the production storage supply distribution marketing or control of any goods articles indicate (i) Names of goods/articles	The proposal relates to the export of product manufactured by Indian Aluminium Company Limited and other parties together with the business of import trading etc
	(ii) Proposed licensed capacity	Not Applicable
	(iii) Estimated annual turnover	Rs 50 crores
8	In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc	Not Applicable
9	Cost of the project	The proposal does not involve setting up of any project
10	Scheme of finance indicating the amounts to be raised from each source	The proposal will be financed out of internal cash generation

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

INDIAN ALUMINIUM COMPANY LIMITED

A Sen

Vice President -Corporate Affairs and Secretary

Dated this 17th day of July 1989

ternal markets by purchasing long-term securities Thus Japanese banks have been engaged in recent years in maturity transformation in international financial markets, rather than intermediating between Japanese savers and overseas investors In contrast, Japanese non bank institutions (trust banks, life insurance companies pension funds, etc) are active investors in overseas long term securities Bulk of Japanese non bank investments are confined to high grade liquid assets bearing relatively higher interest rates The investor profile of Japanese capital outflows and their bias for higher yield from long term securities and for lower sovereign risks make it unlikely that these funds will move into offshore centres However with the recent changes (since November 1988) in the procedure for determining the prime rate and interbank money placements the ability of the banks to compete for funds with non bank institutions may be enhanced Thus more funds from the Japanese markets may flow into the banks which may in turn be lent to overseas borrowers as well as medium and small firms in Japan at higher margins

In West Germany banks have been the main channel for recycling the country's current account surplus and they acted indirectly through overseas banks (inter bank) lending to other banks has increased steadily as a proportion of the assets of West German banks during 1982 88 period Investment in non bank foreign securities has declined as a proportion of total investment in securities which is attributable to restrictions on the currency exposures of German banks Inflows of long term portfolio investment into West Germany have been higher than outflows since 1983 except for the year 1988 Thus by and large German banks have been a source of inter bank funds to overseas banks Net private financial flows from the US has sharply declined reflecting the enormous current account deficit and the inflow of capital to finance it There has been a virtual disappearance of outward fund flows through banks from the US

(6) The emergence of Japanese banks and securities houses to top positions in international markets and the corresponding decline of the role of US banks (except in the derivative product market where American banks are predominant in foreign exchange trading and swaps) will have significant implications for offshore market development in the future Japanese financial institutions are better placed to recycle her enormous current account surplus For instance Japanese banks are the largest nationality group in London today with 36 4 per cent of international assets at the end of 1988 despite the fall of their business in that year partly due to the growth of domestic foreign currency business in Japan and partly due to the transfer of business to JOM [6]

Japan's net external assets have grown by 27 per cent in 1988 to $ 291 7 billion the world's largest for the fourth successive year Direct investment abroad in property (chiefly in the US), industry and commerce rose in 1988 by 43 8 per cent to $ 110 7 billion Investment in foreign securities increased by 26 per cent to $ 427 billion A related development is the sharp rise of Japan's share in net financial flows to developing countries to 47 per cent in 1986 87 from 11 per cent in 1980 81 (OECD source) The share of North America declined from 30 per cent to minus 12 per cent during the same period Asia accounted for over 65 per cent and North America around 51 5 per cent of Japan's direct investment at the end of March 1988 Direct investment of Japan will necessarily increase in the future As the exposure on the US both in direct investment and US government bonds is already very high Japan is likely to increase its involvement in the Asia Pacific region mainly for economic reasons rather than military or political designs as in the case with the US investment and aid Japan has already set up a quasi private agency called Japan International Development Organisation mainly to promote investment in export industries in developing countries with half the exports expected to go to Japan

(7) The increase in the total funds (bank loans other medium term borrowing facilities arranged by banks and international bonds) is not an indication of the availability of funds although it does signify the growing financial intermediation via international markets and therefore the business prospects of banks and non bank institutions A growing proportion of these activities constitutes the spilling over of traditional domestic financial intermediation on to the international markets Private savers (individuals and corporations) through mutual funds insurance companies and securities houses place a larger proportion of their savings in the international markets to secure higher yield At the same time corporations from the same country borrow abroad to secure funds at lower costs and also currency diversification Maturity and currency transformation are the chief benefits arising from the growing sophistication and growth of financial markets The round trippings which constitute a sizeable part of international financial business are not intended for real investment in plant and equipment but for playing the market For example a typical form of fund raising by corporate entities is equity linked bonds straight bonds in the international markets swapping the proceeds for domestic currency reinvestment of the same funds in a variety of instruments in the domestic or foreign markets This feature is not confined to the financial markets but also equally applies to the foreign exchange markets For instance in 1988 foreign exchange trading activities contributed 17 7 per cent of the pre tax profits of Midland Bank 16 8 per cent of Bankers Trust 18 7 per cent of Chase Manhattan 15 8 per cent of Chemical Bank 22 8 per cent of Citicorp and 14 2 per cent J A Morgan [7] The daily turnover of the foreign exchange market is estimated to exceed $ 400 billion

(8) The EEC plan for economic and financial integration of Europe by 1992, in which goods services capital and people can move freely is likely to have a significantly impact on the activities of major financial centres as well as offshore centres As an initial step towards the financial unification all member states of the EEC have already agreed to ensure the free movement of capital within the EEC by mid 1990 The unified European market may emerge as one of the large and dynamic financial markets in the world The concern of major non EEC banks about this prospect is evident from the public appeal by 18 leading international bankers mainly the US and Japanese, for open access to the European markets after 1992 In the meantime

[illegible]

Japanese banks and securities houses are broadening and strengthening their European networks to look as 'European as possible'

Another factor that may affect the international financial markets is the increased financial requirements of European companies for consolidating and restructuring their production capabilities to meet the intensifying competition in the unified European product market. Whether these developments will keep European funds within Europe and also draw funds from other countries are difficult to say at this stage. In any case, both European and non-European banks are likely to focus their attention in the next few years on their European strategy, particularly since the uniform Basle capital ratio and other regulatory measures will not permit a run away expansion as had happened in the 70s.

(9) The uncertain role of the private international markets in allocating resources efficiently is another important consideration relevant while evaluating the functions of the offshore centres. Experience so far has not been convincing in this respect. The external debt crisis itself speaks much about the tendency of banks to over lend based on several wrong assumptions. With considerable prescience Antonio Ortiz Mena in his inaugural address to the 15th meeting of the board of directors of the Latin American Development Bank in April 1974 warned about the danger of too much reliance on private capital markets. His warning was: the eurocurrency market has provided a large volume of financing for the region in the last two years but this financing is being obtained on conditions that without careful planning can frustrate orderly management of the external debt and even weaken the internal savings efforts of our countries. These operations are transacted with scant knowledge of the feasibility of the projects since brokers are commonly used to promote lending operations, especially in developing countries. Obviously such practices can lead to the excessive use of credit and an improper allocation of financial resources. This observation is even more to the point if it is kept in mind that the countries sometimes resort to the eurocurrency market to finance the total cost of an investment.[8] A similar warning was also sounded by William Gaud, executive vice president of the IFC in November 1973 when he said: There are those who welcomed this growing recourse to the private capital market by the developing countries as a desirable trend. I see real risks in the developing countries borrowing so heavily in a market with no established standards and no overall surveillance to prevent unsound practices.[9] Now since the borrowings by most developing countries from the private financial markets have disappeared except China and India, the revived syndicated loan market is directing a significant part of the lendings to finance mergers and leveraged buy outs (M and LBOs). The latest OECD report (1989) indicates that syndicated loans associated with mergers, mainly in the UK and the US, exceeded $ 34.5 billion in 1988 accounting for 30 per cent and in the first quarter of 1989 $ 21.8 billion accounting for over 66 per cent of all new borrowings on the international financial markets. Commenting about the perils of the growing M and LBO related financing, Henry Kaufman warned recently that mergers and LBOs have contributed to a decapitalisation of US industry with debt of non financial corporations going up by an estimated $ 840 billion (15 per cent annual growth) while equity position has contracted nearly $ 300 billion. Interest payments by these companies swelled to 26 per cent of internal cash flow, an all time high. Financial calamity may occur during recession—the unfortunate truth is that all parties involved in M and LBO have a strong vested interest in their continuation. Members of corporate management, shareholders, commercial banks, investment bankers and lawyers all find these deals so lucrative that it clouds their objectivity. Losers will be the bond holders, they lack the strong constituency and legal standing needed to fight back. He added: I think most of us would agree that we don't want the kind of free enterprise system in which we ostensibly put our faith in market discipline but whisper in the closet that the government will always bail people out if anything nasty happens. But that's what we will end up with if we don't curb the leverage that's threatening our economy.[10]

III

Cost-Benefit Aspects of an Offshore Centre in India

Against the foregoing international financial market developments and the changed domestic situation in terms of a more liberalised financial market and economy let us evaluate the cost benefit of an offshore centre in India. An analysis of these aspects undertaken by the author in 1981 under the then existing conditions came to the conclusion that in terms of increased access to overseas funds, employment generation, earnings from fees, taxes, etc, and opportunity to develop international banking business or expertise, an offshore banking centre would confer no significant advantages to India. On the other hand, the adverse effects of the centre on exchange rates, interest rates, domestic money management and also costs for telecommunication facilities and supervisory system would be substantial.[11]

No doubt, a financial centre like London, New York or Tokyo confers substantial benefits on the host countries. In fact, the financial service industry is one of the largest sources of foreign exchange earning of the UK. As already indicated, these are natural centres due to their economic and financial importance in the world. Although adequate information is not available, regional financial centres like Singapore and Hong Kong also confer some advantages on the host locale, say, around one per cent of GDP, considering their limited resource position, small population etc, these are important for them. In an IMF study, Ian MacCarthy has pointed out that eurodollars when booked offshore, the monies never leave the major financial centres. When banks are in fact shells or brass plates, there is little employment opportunity. One lawyer agent can operate 20 banks. Since tax havens do not tax, the only revenue gain is from licensing. Hence gains calculated as a portion of the national budget can be small indeed.[12] A similar study of the Bahamas offshore centre by R Ramsaran also found that "banks engaged exclusively in offshore operations are of no consequence as loan generators to local government or commerce. In the Bahamas, for example, government borrowing is largely supported by those international banks which operate locally as well as internationally.[13] Referring to the benefits to host countries, the study by the US Senate Permanent Subcommittee on Investigations observed that: in seeking to attract offshore banking, local authorities in less developed regions may exaggerate anticipated benefits. There is no simple answer to the intricate question of the value of offshore banking to haven jurisdictions. At the very least one must specify benefits and cost—to whom, what kind—take note of trends over time and be sensitive to the general rule outlined here to the effect that each offshore jurisdiction and financial centre must be examined on a case by case basis. Equally important, one must recognise that the sanguine expectations or evaluation on the part of local authorities may fail to consider the complexity of the issues involved, especially long term risks."[14]

The benefits India may derive from an offshore centre can be evaluated under the following broad groups: (1) increased access to international funds and better terms of borrowings; (2) better facilities for managing our external debt efficiently; (3) earnings from taxes, fees, employment and other local expenditure; and (4) opportunity to develop international banking business and expertise. The costs/risks of an offshore centre arises from implications for monetary management, nexus between crime and offshore financial operations, competition to banks in India and the costs of setting up telecommunication facilities and bank supervision system.

(1) Increased access to international funds and better borrowing terms. Before we take up this issue, it is important to assess the scope for borrowing, i e, the demand side of the funds.

According to the World Bank's *World Debt Tables* (1989), the outstanding external debt of India was $ 46,370 million at the end of 1987. The debt service burden on public and publicly guaranteed long term debt was $ 3,296 million and on private non-guaranteed debt $ 901 million at the end of

1987 The projected debt service burden on long-term debt alone has been placed by the World Bank at $ 4 626 million in 1989 OECD *External Debt Statistics* (1988) has estimated India's debt and liabilities outstanding at the end of 1987 at $ 50 375 million This includes non bank trade related claims guaranteed bank claims other bank claims non bank deposits, multilateral loans other claims and use of IMF credit Since India has borrowed substantial amounts in 1988 ($ 2 507 4 million in the private international financial markets) and in view of speedy utilisation of aid commitments the total external debt of India now would be around $ 60 million With an outstanding debt of this magnitude and the persistent and large trade deficit and debt service payments the debt service burden of India has become a matter of serious concern both in India and abroad The OECD's *Report of the Development Assistance Committee* 1988 observed that For both China and India debt service burdens are now increasing quite sharply (The debt service exports ratio is at a much higher level in India than in China however) Although in neither case is any major problem imminent there is a clear need to follow policies which will maintain and increase debt servicing capacity in the future [1] Although the OECD's prescription is more economic liberalisation and boosting of exports our exports will face increasing challenges not only in the US (which has listed India among the countries pursuing unfair trade practices to apply super 301) but also in the unified European markets It is therefore undesirable to take recourse to an active market borrowing strategy at this stage Instead India should make all efforts to secure more bilateral assistance to tide over the short run requirements while at the same time take long term measures to reduce dependence on foreign capital It is equally an inopportune moment to bring about an institutional change in India's external financial linkage by establishing an offshore centre for the purpose of increased borrowing

Even assuming that India launches an active borrowing strategy it is unrealistic to expect international banks and private investors to respond in any significant measure to our increased demand for funds It is also important to note that out of the total $ 2 358 7 million in 1987 and $ 2 507 4 million in 1988 raised by India in the international markets as much as $ 1 397 7 million in 1987 and $ 1 185 2 million in 1988 were from the international bank loan markets In other words the non bank capital market access which is confined basically to high quality borrowers to which India made some foays in the past may not absorb more of India's debt papers Institutional investors in the capital markets are highly sensitive to country risks Due to exhaustive and up to date collection and dissemination of information on external borrowings of developing countries and greater transparency of country exposures the type of excessive lending by banks that took place in the 70s and early 80s is unlikely to recur in the future Whatever exposure limit a bank fixes for a specific country (including loans guarantees acceptances foreign exchange trading inter bank fund placements etc) is allocated among its branches and fully owned subsidiaries spread over all financial centres Therefore the presence of an offshore centre in India will not in any way enhance our ability to borrow more funds

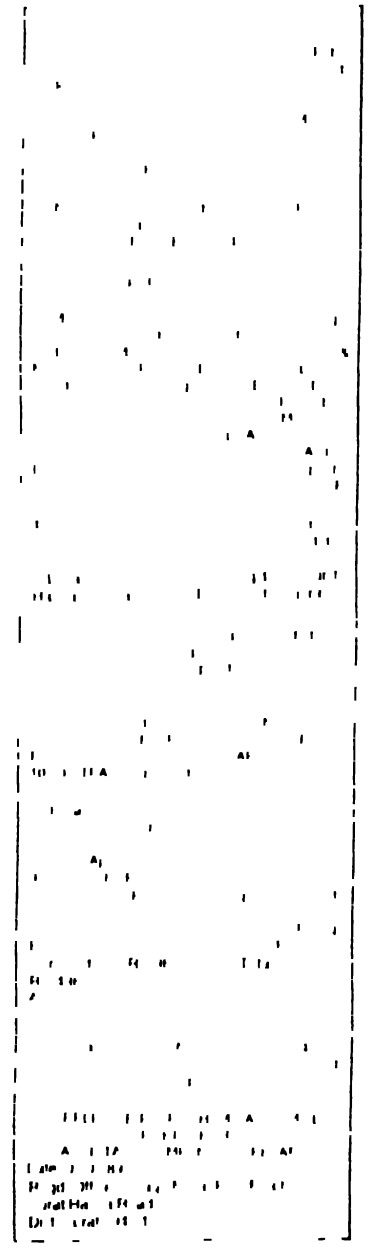
Due to the availability of excellent telecommunication facilities and the sharp fall in their costs physical proximity to a borrower is irrelevant for lending by a bank or borrowing by a borrower In the initial stages of the development of the syndicated credits probably that was required to give a certain extent of confidence to the banks

Offshore bank units by the very nature of their business i e wholesale interbank money and foreign exchange trading managing issues of securities etc are all equipped to collect and analyse information on a country or individual borrowers in the host country Since an offshore banking unit does not interact with resident entities in the course of its normal business it is unlikely to establish contact with local firms particularly small and medium enterprises International banks operating domestically in India are in a better position to arrange loans and other facilities through their onshore or offshore branches What is relevant to private cross border lendings is country credit rating Institutional and country ratings are required to meet investor requirements Unless borrowers in the capital markets carry a triple A rating access to the non bank capital market is also difficult

Similarly those familiar with the *modus operandi* of loan pricing or determination of fees for securities issues will recognise that competition in the market has already driven the fees and margins very low and good borrowers are able to borrow below LIBOR Fees for arranging securities issues are also very thin What matters most in the market is the name of the borrower which will ensure the sale of the notes in the primary markets Besides the increased use of currency and interest rate swaps in the financing packages make major financial markets more suitable for securitised borrowings than an offshore market in India Though in the late 70s and early 80s India used some offshore markets like Bahrain in recent years almost all of India's borrowings had been made in major international financial centres or in the foreign sector of the domestic markets in Switzerland Japan etc

The opportunity for small and medium companies to borrow has been suggested as one of the benefits that India would derive from an offshore centre programme in India Obviously big companies whether public or private and also Indian banks do not require an offshore centre in India to avail of foreign currency loans At present financial institutions in India like the IDBI ICICI IFCI and EXIMBANK, provide foreign currency loans to small and medium enterprises as part of their capital investment financing programmes Already such borrowers are hard hit by currency and interest rate risks Facilities for converting future borrowings into rupee liabilities at basket rates or composite cost with ceilings on the costs have been worked out (effective April 1989) jointly by these institutions At present direct foreign currency borrowing by small and medium firms from an offshore centre in India is neither desirable nor necessary as their foreign currency requirements are already met satisfactorily either by Indian bank branches abroad or by the financial institutions

India acting as a transit point for neighbouring countries is also not a feasible proposition in the uncertain political and economic conditions in many countries in



the region In this sense there is no foreign hinterland for an offshore centre in India With a view to encouraging the growth of the Singapore offshore centre, the authorities have allowed borrowing by resident companies Similarly Australia (offshore centre established in 1986) has permitted resident deposits in offshore units provided they are utilised for offshore lending India has limited scope for boosting an offshore centre by permitted large borrowings lendings by Indian companies

(2) Better facilities for managing external debt The need for managing our external debt for reducing costs and securing a more appropriate maturity and currency profile cannot be overemphasised This is an ongoing activity An active debt management strategy will include debt renegotiations prepayments currency and interest rate swaps and options etc For these activities centres with depth and breadth and also active foreign trading in foreign exchange swaps options futures and also broad and deep secondary markets are required An offshore centre in India can hardly provide adequate facilities for sophisticated liability management of medium and long term debts Even Indian banks in overseas markets would not be of much help in providing such facilities except as agents for arranging hedging facilities from the markets

(3) Earnings from taxes fees other expenditure of offshore banks etc The earnings from an offshore centre arise mainly from operating expenditures of offshore financial units in the host locale and licensing fees profit tax stamp duty etc The local expenses of offshore units are so insignificant in relation to the Indian government's budget and also in relation to the employment problem of India Such earnings are somewhat important from the point of view of small island states like Panama the Bahamas Cayman Islands or Singapore In Bahamas for instance there are about 360 banks and trust companies Together they employ about 3 000 persons Earnings from tourism related to banking services (annual meetings of banks etc) also contribute to the economy In most centres the only levy imposed is licensing fees as offshore business is exempt from corporate income tax and withholding tax if at all levied is very low Taxation policy is an important factor in the choice of the centre where international business is booked Taxes on gross interest (withholding tax) is a major deterrent to offshore banking than direct taxation on profits

(4) Opportunity to develop international banking business and expertise There are many who envision that the presence of an offshore centre in India will enable Indian banks to expand their profitable international banking activities This hope is rather misplaced due to several reasons First the scope for developing offshore business in India is extremely limited The time zone advantage and proximity to borrowers (borrower proximity is itself doubtful) are not of much relevance in current international financial markets Political and economic conditions in Asian and Middle East countries have belied earlier expectations of these countries emerging as big borrowers/lenders Tokyo, Hong Kong and Singapore are more conveniently located and complement each other, mainly due to the ethnic links with the business community in Indonesia Philippines, Malaysia and China India's own borrowing capacity is very limited for supporting an expensive offshore centre. If lending opportunities are not there, there would be no demand from banks and finance houses to set up an expensive offshore presence in India Just for the purpose of undertaking interbank operations which they can as well manage from their existing centres by stretching the operating time they may not establish offshore outfits in India

Even if there is scope for the growth of an offshore centre in India (which itself is doubtful) the ability of Indian banks to profit from it would be limited The inadequate capital base of Indian banks and inability to raise adequate working capital from the home base stand in the way of the increased involvement of our banks in international markets The decline in lendings by American banks and the remarkable growth in the share of Japanese banks and non bank financial institutions during 1983 89 particularly in London, offer ample proof that unless the home country's external base is comfortable, banks can hardly hope to play a significant role in the international financial markets When Japan faced an uncertain balance of payments situation in the wake of the second oil price hike Japanese banks were held on a tight leash by the Japanese ministry of finance Their remarkable growth since 1985 is a counterpart of Japan's persist current account surplus The Basle framework to impose uniform risk weighted capital ratio on banks operating internationally (8 per cent risk weighted capital/asset ratio) will come into effect in 1990 Major Japanese and European banks have already managed to strengthen their capital to meet the capital target ratio either by raising subordinated debts or equity linked bonds or by revaluing their assets (particularly stocks and properties) Capital ratio of Indian banks are much below the Basle standard Under the present budgetary and balance of payments position of India a substantial increase in the capital ratios of Indian banks does not appear likely

On the business side the main growth areas are treasury operations and investment banking activities Treasury operations mainly consist of interbank money and foreign exchange, trading and other market related trading operations (securities on bank's own account or for customers) These are high risk, high profit business Due to their inability to take risks and also lack of financial resources and expensive expertise, Indian banks can ill-afford to engage in treasury operations in a big way, except to manage their own currency and interest rate exposures or funding requirements Similarly investment banking covers an assortment of new business such as issue management, placements secondary market-making, trading in stocks and money market securities swaps options futures, leasing, etc These are the growing market sectors, but an effective presence will require not only expertise but also absorption and placement capabilities of securities and other financial instruments A significant market involvement of Indian banks in these sectors at the moment does not appear feasible Whatever small role they will be able to play depends on major institutional restructuring of their overseas branch network Since Asia Pacific and Continental Europe are emerging as the dynamic market centres, Indian banks presence in these centres needs to be strengthened Only two or three Indian banks should be encouraged to plan an effective presence in all major centres for undertaking wholesale international financial activities An offshore centre is not the appropriate strategy for promoting India's international banking business or expertise.

Costs Risks of an Offshore Centre in India

An offshore centre isolated entirely from the domestic financial market like the IBFs and JOM is unlikely to have any significant impact on the conduct of monetary policy Supervision of the offshore units will present problems but the nature of such problems is different from a centre with partially an integrated offshore and onshore business

When the free banking zone proposal was first mooted in the US though the Federal Reserve Board was concerned about the effects such a scheme might have on the conduct of monetary policy or for bank supervision its staff study in 1988 has come to the conclusion that to date, the operation of IBF has not presented a problem either for the conduct of domestic monetary policy or for bank supervision [16] On the other hand in Japan loopholes led to considerable arbitrage operations between the domestic money markets of Japan and the euroyen markets in 1987 and 1986 and the Bank of Japan reversed the outward flows by liberalising the money markets which raised the domestic short term interest rates and aligned them with the international rates Singapore had frequent problems but by combining incentives with rigid enforcement of disciplinary action on ACUS (offshore banks engaged in offshore financial activities are called Asian currency units) Singapore manages to limit the impact of offshore financial business on the domestic economy Philippines which tried to develop an offshore banking centre in the 70s also experienced hot money flows in and out of the country and also large borrowings by its companies "which did not help either its

development or stability" and was forced to reschedule the external debt

While discussing the approach of the Bundesbank to setting up an offshore centre in Germany, Kohler, a member of the Directorate of the Bundesbank observed in 1985 that "very careful consideration has to be given to the question as to whether a country with its own system of credit policy and banking supervision instruments should compete with an offshore centre that does not conduct a credit policy of its own and hence has no need of effective instruments of monetary policy" [1]

Supervision of offshore units if the same institutions are undertaking both onshore and offshore business is difficult The close monitoring and surveillance of the variegated complex and changing business of offshore units will require very high professional expertise and an elaborate supervision and reporting system There is also need for adequate mechanisms for dealing with potential run on banks (lender of last resort facilities) particularly since the bulk of offshore business constitutes interbank operations

A related aspect of an offshore centre is the country credit rating of India The Citibank's Manila episode in 1983 when it froze $ 600 million of interbank deposit has raised serious doubts about the nature of country risks on offshore banking Even now there is no unambiguous answer on it but banks do attach importance to the risk attached to sovereign and interbank risks of their business locations

A sophisticated offshore centre requires very large investments in telecommunication facilities much in excess of the requirements of the domestic banking industry Whether such expenditures on telecommunication and supervision systems are justified by the return from an offshore centre must be considered carefully As already indicated the benefits by way of earnings from fees fees and local expenditure of offshore banks (discounted earnings) may not justify the enormous initial capital expenditure on infrastructure facilities

Crime and offshore centre The growing nexus between crime and related fund transfers and the increasing inability of supervisory authorities to control and supervise offshore banks operations have already been highlighted An offshore financial centre in India by providing conveniently located facilities is likely to make such activities more extensive It is important to note that the nature of operations in an offshore bank is so complex that the real identity of the beneficial owners of the accounts difficult to establish In the case of Bahamas the observations made by R Ramsaran is worth recalling According to him insofar as intimate ties develop between fraudulent operators and an elite, the leadership as a model for integrity is lost with the consequence that the very character of the people becomes associated with fraud and dishonesty" [18]

To sum up, the international as well as India's domestic economic and financial environment and recent developments are not conducive at present for establishing an offshore centre in India The integration of the major financial markets, the sharp decline in the cost of processing financial activities the development of excellent telecommunication facilities and the growth of natural financial centre and their linked offshore centres have reduced the need for peripheral offshore centres Under the existing situation only those centres which offer secrecy and also make it a non negotiable fact can hope to attract a reasonable volume of business The scope for an offshore centre in India emerging as a regional financial centre is extremely limited due to the vulnerable economic and political conditions of south south east Asian and Middle East countries and also the limited scope of India to permit resident borrowing and deposits in the offshore banking units The balance of advantage for India lies in taking appropriate measures to forge greater economic and financial links with the dynamic Asia Pacific rim and continental European financial markets Indian banks presence in these centres should be strengthened in planned phases For this the restructuring of their institutional set up and a large induction of capital to a selected group of two or three banks are necessary While India should aim at the establishment of mutually beneficial economic and financial relationships with countries which have a long term and durable economic strategy in the Asian region and also have comfortable balance of payments to underwrite such a strategy

Note

1 M Narasimh Globalisation of Financial Markets India EXIMBANK Commencingday Annual Lecture, 1989 (Bombay, 1989) p 14

2 See for details S K Verghese, 'Offshore Banking Centre in India Problems and Prospects *EPW* March 27 1982 p 503

3 United States Senate Permanent Subcommittee on Investigations Staff Study *Crime and Secrecy The Use of Offshore Banks and Companies* (Washington 1983) pp 1 and 22

4 Sydney J Key and Henry S Terrell *International Finance Discussion Papers* (Board of Governors of the Federal Reserve System Washington 1988) pp 15 and 28

5 IMF *World Economic Outlook* April 1989 (Washington) p 88

6 Ibid pp 84 88

7 Simon Holberton Foreign Exchange Profits Might Not Survive Stability *Financial Times* May 2 1989 p 5

8 Quoted in Carlos F Diaz Alejandro *Less Developed Countries and Post 1971 Financial System* Essays in International Finance No 108 April 1978 (Princeton University), p 17

9 Ibid p 18

10 Henry Kaufman Halting the Leverage Binge *Institutional Investor* April 1989 (New York) p 79

11 S K Verghese op cit p 503

12 Ian McCarthy IMF Department Study quoted in *Crime and Secrecy The Use of Offshore Banks and Companies* op cit p 45

13 Ibid

14 Ibid p 46

15 OECD 1988 Report of the Development Assistance Committee *Development Co operation* (Paris 1989) p 49

16 Sydney J Key and Henry S Terrell op cit p 29

17 Quoted in Bank of International Settlements *Press Review* July 17 1985 (No 138)

18 R Ramsaran op cit p 45

Safdar Hashmi SAHMAT Memorial Trust

Publications

- **Ped** [illegible] Patel Rs [illegible]
- **Red Flower** [illegible] Mona Rai Rs [illegible]
- **Bansuriwala** [illegible] Arpita Singh Rs [illegible]
- **Garbar Ghotala** [illegible] Rs 10.00
- **Bagh ki Sair** [illegible] Rs 10.00
- **The Right To Perform** [illegible] Rs [illegible]
- **Safdar** [illegible] Rs [illegible]
- **Safdar** [illegible] Rs 5.00
- [illegible] Rs 15.00
- [illegible] Rs [illegible]

NATIONAL BOOK CENTRE
14 Ashoka Road New Delhi

SAFDAR HASHMI MEMORIAL TRUST
8 Vithalbhai Patel House New Delhi

FORM IVA

[See Rule 4A(1)]

NOTICE

It is hereby notified for the information of the public that **Indian Aluminium Company, Limited** proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under sub section (4) of section 23 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the take over of the whole or part of Indal Exports Limited

Brief [illegible] are as under

1 [illegible] the applicant

India [illegible] Company Limited

[illegible]

[illegible]

(2) [illegible] of the undertaking the whole or part of which [illegible] proposed to be taken over and the manner of take [illegible] acquisition of control or management whether by the acquisition of the ownership of the undertaking [illegible] under any mortgage lease or licence or under any agreement or other arrangement

[illegible] proposes to invest in Indal Exports Limited 41 Chowringhee Road Calcutta 700 071 by [illegible] offered by that company

(3) Management structure of the applicant

[illegible] managed by a Board of Directors Names of the Directors are

[illegible] Chairman

[illegible] Vice Chairman

[illegible] Managing Director

[illegible] Birkett

[illegible] Chidambar

PK [illegible]

[illegible] Dasgupta

A A Hodgson

R K Bhargava Alternate for A A Hodgson and also wholetime employee

A L Mudaliar

PK Pal

T Mitra Alternate for PK Pal and also wholetime employee

H T Parekh

B R [illegible]

(4) Capital structure of

(a) The Applicant

Share Capital	Equity Shares	Preference Shares
Authorised	9 60 00 000	40 00 000
Subscribed and paid up	41 49 66 580	

(b) The Undertaking proposed to be taken over

Share Capital	Equity Shares	Preference Shares
Authorised	20 00 000	
Subscribed and paid up	70	

(5) Line(s) of business of the undertaking which will or is likely to emerge as a result of the proposed take over

Export of products manufactured by Indian Aluminium Company Limited and other parties business of import trading etc

(6) Consideration for the take over

The applicant will acquire the entire 1 39 993 shares of Rs 10 each at par against payment in cash by way of subscription to the fresh capital to be issued by the undertaking

(7) Scheme of finance indicating the source(s) of finance for the proposed take over

The proposed take over will be financed out of internal cash generation

Any person interested in the matter may make a representation to Secretary Department of Company Affairs Government of India Shastri Bhavan Dr Rajendra Prasad Road New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

Indian Aluminium Company Limited
A Sen
Vice President — Corporate
Affairs and Secretary

Dated this 17th day of July 1989

Panchayati Raj at Crossroads

Indira Hirway

This paper studies the concepts of panchayati raj, examines the inadequacies of these concepts and the potential of panchayati raj in our economic-political system It analyses the experiences of panchayati raj in different states and draws lessons from these experiences It then critically examines the 64th Constitutional Amendment Bill and makes some inferences about the implications of strengthening panchayati raj in the country

SINCE the Balwantrai Mehta Committee recommended panchayati raj System in India way back in 1957 several attempts have been made at the national as well as state levels to strengthen the panchayati raj system in the country After struggling for about 30 years however the government of India suddenly seems to have found the solution in the form of the Constitutional (64th) Amendment Bill to all the weaknesses of panchayati raj It is argued that this bill seeks to enshrine democracy at grassroots as it intends to give power to people and it will end corruption and fight and finish power brokers and middlemen in politics The prime minister has claimed that this bill is a historic and revolutionary bill and its introduction in the Lok Sabha is the single greatest event after the enactment of the Constitution [1]

What is so special about this bill? Is it likely to strengthen panchayati raj in India? The present paper intends to answer these questions carefully Its main objectives therefore are (1) to study the concepts of panchayati raj used in the country over the years examine the inadequacies of these concepts as well as the potential of panchayati raj in our economic political system (2) to examine the experiences of panchayati raj in different states and draw lessons from these experiences and (3) discuss the proposed amendment bill critically in the light of the above and infer the implications for strengthening panchayati raj in the country

I

Concept of Panchayati Raj

EVOLUTION OF THE CONCEPT

When Mahatma Gandhi discovered that there was no mention of panchayati raj in the earlier draft of the Constitution he insisted on its inclusion in the revised draft because panchayati raj was an important component of his vision of future India in which economic and political power was decentralised and each village was self reliant economically He felt that people's voice should be reflected in our independence through panchayats and therefore the greater is the power of panchayats the better it is for the people [2] Article 40 of the Constitution which was included (at Gandhiji's insistence) in the chapter on Directive Principles of State Policy said that 'the state shall take steps to organise village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self government [3]

The Balwantrai Mehta Committee attempted to translate this article in a major action when it recommended introduction of panchayati raj system in India in 1957 While explaining its philosophy the committee remarked that PR system establishes a linkage between local leadership enjoying confidence of local people and the government and translates the policies of the government into action [4] The committee thus saw PR system as a means of involving people and their representatives in development programmes of the government

When it was observed by several state level committees as well as by regional studies that the PR system was suffering from a number of weaknesses an all India committee namely Ashok Mehta Committee was set up in 1978 to look into its working in various states and to make recommendations for strengthening it [5] Ashok Mehta Committee viewed the role of PR system slightly differently According to the committee PR system was not only meant for decentralisation of power and people's participation but it was also for supporting rural development and strengthening the planning process at the micro level The committee therefore wanted PR institutions to participate in development activities in the areas of agriculture forestry cottage industries welfare activities etc The major recommendations of the committee therefore included two tier PR system consisting of zilla parishad and mandal panchayats (covering about 15 000 to 20 000 population) reorganisation of zila parishad and its membership open participation of political parties in PR elections constitutional protection for further decentralisation of power etc A few of these recommendations were accepted by some states but most of the recommendations were not implemented

With the expansion of anti poverty programmes and setting up of district rural development agencies and other related organisations at lower levels the need for integration of PR system with development programmes and administration was felt C H Hanumanth Rao's Working Group on District Planning [1983][6] and G V K Rao Committee which was set up to review the existing administrative arrangements for rural development and poverty alleviation programmes [1985][7] have given recommendations for this purpose. The G V K Rao Committee, for example, has recommended strengthening of zilla parishads and district level planning as well as better integration of block and lower level planning with lower level PR institutions Recently Singhvi Committee [1986 87] has prepared the Concept Paper on Panchayati Raj[8] which wants PR institutions to be closely involved in planning and implementation of rural development programmes at lower levels The Singhvi Committee has recommended that village panchayats (of groups of small villages if necessary) should be made viable (by combining 2 3 villages in one panchayat and by strengthening their finances) It has also supported the recommendations of the G V K Rao Committee for integrating administrative structures with PR institutions The Singhvi Committee as well as Ashok Mehta Committee suggested suitable constitutional amendments for the purpose

It seems that the concept of panchayati raj has undergone some changes over the years Though it started as a narrow concept, it has expanded to cover areas of rural development and economic planning to some extent In spite of this expansion, however the concept still suffers from a number of limitations First of all the concept is still very narrow as it does not view PR bodies as bodies which can play an important role in the overall development of our rural areas In other words the present concept does not see a PR body as a planning as well as implementation agency of various rural development programmes, and as an agency that can take care of routine administration infrastructure and socio-economic welfare of rural population Secondly there is not much clarity about the inter relationship between PR bodies and development administration As there is no separate cadre of administration for PR bodies the dual responsibility of the administration (towards state departments and towards PR bodies) creates lot of confusion and complications Thirdly there is no clarity about how to involve the weaker sections in the functioning of PR bodies On one hand there is a feeling that PR leaders do not involve the poor in PR bodies and therefore administration has to intervene to reach the benefits of growth to the poor, while on the other hand the involvement and control of PR office bearers in rural development activities is increasing continuously There is therefore considerable confusion about the role of PR bodies in rural development programmes—specially anti poverty programmes And lastly, there is no clear trend emerging in the context of decentra-

lisation of power On one hand, there is a lot of talk about decentralisation of power to district and lower level bodies while on the other hand central schemes are increasing both in number and size One cannot really make out what kind of decentralisation we are leading for

In spite of the limitation of the present concepts underlying PR system in India one cannot deny the potential of panchayati raj in a country like ours One can say that panchayati raj has to play a very important role in the overall development of the economy and polity of the country

Role of Panchayati Raj in India Potential

It can be said that PR institutions are essentially meant for democratic decentralisation below the state level at the district and lower level These institutions which are formed by the members elected directly or indirectly by people are expected to enable people to govern themselves

1 The first important role of PR institutions is to encourage participative decision making at micro level by involving people and people's representatives in decision making process in various areas of activities which fall in the purview of the district or lower level micro level units PR institutions are also expected to involve people as beneficiaries in these activities so as to enable them to participate in the main stream of economic activities
2 PR institutions should take care of the day to day administration of the local areas by mobilising local resources and by managing administration of local facilities like drinking water other sources of water primary school cleanliness primary health etc
3 As local bodies these institutions should strengthen the planning process by formulating micro level plans on the basis of the constraints of development as well as the potential of development for the local area These plans are expected to strengthen the planning process at the micro level and optimise development It can be said that PR institutions should contribute to planning and implementation of programmes in sectors like agriculture minor irrigation animal husbandry household industries public works input supply and their distribution etc
4 PR institutions should also take care of local physical infrastructure (roads other transportation and communication facilities electricity energy etc) social services (health nutrition sanitation hygiene housing primary education adult education) and social welfare activities for women children and the poor
5 And lastly these organisations should also work for awakening people specially the poor and make them aware about their plight their rights and their role in rural development

It is clear from the above discussion that we have to go a long way to tap the potential of panchayati raj in India The important question however is how do we develop the present system to reach the goal? The answer to this question will have to be sought from the experiences of panchayati raj in India

II

Panchayati Raj in Practice

The working of PR institutions has been studied by several scholars in various states and also by some state level and all India committees [9] A major conclusion of these studies has been that in spite of some sporadic achievements PR system cannot be rated as a very successful system First of all PR institutions have not been able to involve the poor in development activities either as beneficiaries or as decision makers on any significant scale In fact it is shown that these institutions have harmed the interests of the poor Secondly these institutions also have not contributed much towards strengthening the planning process at the micro level In other words these institutions have not been involved enough in formulating block or district level development plans And thirdly therefore these institutions have not played the expected role in the development process in rural areas in the sectors like agriculture minor irrigation household industries socio economic infrastructure social services and social welfare

It is frequently argued that the PR system has succeeded in some selected states like Gujarat Maharashtra Karnataka Andhra Pradesh etc We would however differ as some intensive studies in these states have shown that these success stories are not afterall as glorious as they are made out to be Indira Hirway's intensive study of the working of four village panchayats in four different types of villages in Gujarat[10] shows that (1) the panchayats serve the interests of mainly one group namely the group of big farmers and rich traders usually belonging to higher castes The members of this group hold the power of decision making in the panchayat (and the same group holds this power in other village organisations such as farmers service society milk co operative society etc) and use it in furthering their own interests (2) the SC ST members of the panchayat are selected by the elite group and they do not really represent the interests of the poor in the panchayat and therefore (3) the masses of the poor have practically no say in the decision making process in the panchayat with the result that the activities of the panchayat do not serve the interests of the poor In fact the PR institutions create obstacles in the participation of the poor in development activities including the special programmes for the poor [11]

The Karnataka experiment of PR system is frequently quoted as a success story It is argued that the zilla panchayats in the state are really emerging as a power centre below the state. However, studies by George Mathew (ed)[12] has shown that the power in the districts is enjoyed mainly by dominant castes belonging to the top power groups, and the interests of the poor are sacrificed for strengthening the vested interests of the district leadership [13]

In the same way Gurumurthy's study in Karnataka also comes out with similar findings [14] It shows that the weaker sections are not benefited much by the village panchayats as they are neither fully aware about the functioning of the panchayats nor are they able to participate in their activities And the other studies also clearly show that the socio economic power structure in rural areas does not allow the benefits of PR system to flow towards the weaker sections [15] It seems that though panchayati raj appears to be working well sometimes, it is working so mainly for the elite group or the group of big farmers and rich traders The masses of the poor not only do not gain much out of the system but are also exploited by the PR leaders

Causes of Limited Success

The available literature lists a number of factors responsible for these failures which can be broadly divided into the following groups

(1) *Structural Inadequacies* It is argued that the PR structures that have been adopted by the state governments are just not capable of performing the role that is expected of them First of all the distribution of functions and responsibilities among PR institutions and the departments of state and central government has not been made on the basis of any sound rationale For example management of resources like land water forests grazing lands etc should be in the hands of local institutions In reality however these are controlled by state central authorities Such an approach has created a wide gap between what PR institutions are empowered to do and what they should do Secondly PR institutions have limited support of expert staff for planning implementation or monitoring of various development programmes They hardly have any expert staff that can formulate plans or monitor them systematically with the result that they are unable to play any significant role in strengthening the planning process at the micro level Thirdly there is a strong tendency towards centralisation in the country though there is a talk of decentralisation of planning The scope of central schemes has increased tremendously during the past 20-25 years and it is still increasing Such a process of centralisation is just not compatible with the talk of decentralisation of planning In fact, the plethora of rural development programmes and schemes implemented under the control of central and state governments has left a very limited scope for the functioning of local PR institutions And lastly, the financial powers

of PR institutions are extremely limited Number of studies have shown that village panchayats are very weak financially, and even taluka samitis and zilla panchayats have limited funds at their disposal to carry out their own programmes It is observed therefore that the PR system has not been tried out seriously in the country As L C Jain puts it, the PR institutions in our country have remained empty boxes without much stuff in them [16]

(2) *Socio Economic Political Structure of the Rural Society* The second group of factors responsible for the limited success of PR institutions are pertaining to the exploitative structure of our rural society It has been shown by a number of regional studies as well as by all India committees that the elected members in PR institutions and the office bearers are normally from the elite group (or the rich) of the rural society As they have vested interests in preserving the exploitative structure they are not likely to do anything that strengthens the position of the poor in their areas In fact their actions will go against the interests of the poor and increase their exploitation further

It seems that the assumption that representative participation of the people at micro level will ultimately lead to mass participation in development activities on a large scale has proved to be highly unrealistic The experiences have shown that the old theories of participation which emphasise democratic decentralisation and participation of elected representatives as a first step towards mass participation are no more acceptable [17] The new theories now consider beneficiary participation as the first step towards mass participation which ultimately leads to participation of the poor at the highest levels [18] In other words it is argued that PR institutions do not seem to be capable of bringing about mass participation of the poor in the development process in our stratified and hierarchical society where the weaker sections are almost completely unorganised The failure of PP institutions in this context is almost inevitable

(3) *The Role of Bureaucracy* The third group of factors are pertaining to the assistance provided by government administration We have seen above the PR institutions are assisted by government administration at various levels The head of zilla panchayat administration is frequently an officer from the Indian Administrative Service who is assisted by other lower officers and staff at district block and village levels Studies have shown that there are serious problems regarding this assistance and regarding the relationship between the bureaucracy and elected PR bodies There is frequently a lack of mutual faith which results in mutual suspicion Officials feel that PR members use power to further their vested interests and harass them (by threatening them of transfers) if they do not fall in line, while PR members dislike the 'superiority' of officials Also, it is felt that officials have loyalty to their respective state departments and do not always co operate with elected members There is some truth in both these arguments, which deserve serious attention First of all, the system line of hierarchy in administration makes the officials and staff feel that they are primarily accountable for results to the state government and to their bosses in the developments in the government The staff therefore does not feel fully accountable to PR institutions Secondly the plans and programmes implemented by the administration come from above and are prepared either by central and state level authorities or by the bureaucrats at the district and lower levels The intervention of PR institutions, which is frequently *ad hoc* and abrupt is considered as undersizeable by the government machinery And thirdly PR institutions do not have adequate expert support available to them in the field of planning implementation and monitoring of various schemes and programmes The final result of the dual loyalty of the bureaucracy and the lack of clear demarcation of their roles is confusion and misunderstanding

(4) *Constitutional Constraints* The fourth set of factors are the constraints which emerge from the Constitution of our country It is observed (for example by Ashok Mehta Committee) that many state governments have not introduced panchayati raj in their respective states some have not held regular elections for panchayats and some have superseded PR bodies It is argued that the Constitution should be amended (Ashok Mehta Committee) or a central legislation should be passed (Sarkaria Commission) to make it obligatory for state governments to implement panchayati raj effectively It is important to note the constitutional amendment recommended by the above committees was only for the limited purpose

(5) *Unwillingness of Governments to Share Power with Lower Bodies* The last set of factors though not at all the least are regarding the unwillingness of higher governments to share power with lower bodies Many scholars have noted that there is an unhealthy trend of centralisation of power at the centre in our country With the progress of development planning the number and size of central schemes have increased manifold in the last two decades or so Also the importance of 'High Command' in Congress(I) ruled states has increased tremendously over these years The reasons for this centralisation could be political insecurity greed for power lack of faith in lower governments, or increasing faith in central planning Whatever are the reasons the fact of reality is that there is less and less willingness on the part of the centre and state governments to share power with lower elected bodies

An important consequence of this centralisation is that though there is a lot of talk of decentralisation, there are few evidences of lower bodies getting economic or political power It seems that as long as this trend continues panchayati raj will not be implemented with any seriousness

PRE CONDITIONS FOR SUCCESS OF PANCHAYATI RAJ

We shall now list some pre conditions which seem to be necessary for the success of panchayati raj The first important pre condition is evolving a comprehensive concept of panchayati raj Panchayati raj should not be treated as one more programme for rural development It should also not be treated merely as a political concept as it has important implications for development and planning It can be said that panchayati raj has to play three important roles in the country Firstly it has to bring about decentralisation of administrative and political power in the sense that it has to encourage self-governance and mass participation in its working Secondly panchayati raj has to contribute towards strengthening the planning process at the micro level and overall rural development and thirdly it has to improve the access of the (poor) masses to the highest level of decision making bodies Such a concept obviously cannot be evolved merely by a constitutional amendment, it also calls for efforts in other areas like developing multi level planning framework including strengthening of micro level planning processes integration of PR bodies with planning and administration etc

The second pre condition is strengthening the poor so as to protect them from the exploitative behaviour of the rich It is clear that the power structure which exists today in our rural areas is likely to exploit the poor with or without panchayati raj If the benefits of panchayati raj have to flow to the poor and if the poor are to be enabled to participate in PR activities it is necessary that their position is strengthened by various means Some of the steps which are likely to strengthen the poor against the rich could be listed as follows

(a) Attacking the dependency of the poor by plugging the points of their exploitation Efficient public distribution system seed banks grain banks social security measures etc are important in this context
(b) Giving right to work to the poor so as to ensure them minimum employment and incomes to live on
(c) Redistribution of assets in favour of the poor by implementing land reforms and if this is not feasible at least by giving ownership of newly created assets to the poor and by developing common property resources for the poor
(d) Encouraging organisation of the poor and recognising the role of trade unions and voluntary agencies in rural development and panchayati *explicitly* and *formally*

We think that unless such steps are taken the poor will never be able to assert themselves to demand their rights and to

participate in panchayati raj activities

The third pre-condition for the success of panchayati raj is to train PR members for their new role PR members today are not trained formally and systematically with the result that they have very limited knowledge about (a) Panchayat Act and its provisions (b) the objectives and functions of PR bodies (c) the dynamics of rural society (d) growth potential of their areas and (e) skills of planning for overall development of their respective areas It is necessary to train them if they have to make panchayati raj successful

And the last pre condition is about preparing development administration for panchayati raj First of all it is necessary that bureaucracy is committed to panchayati raj PR bodies should be provided with administrative help which has a primary loyalty towards them and which has the required expertise to support their activities In this context two suggestions can be made (1) The double loyalty of the present should end A new cadre of panchayats should be set up separately for this purpose, and (2) A concept of specialisation should be included in development administration along with a strong component of training An officer who moves from spice to welfare and from tribal development to heavy industries can not really deliver the goods that are needed

It should also be added that measures should be taken to protect bureaucracy from undesirable political pressures Such measures could be strict implementation of transfer rules upgradation of lower level posts etc

III

Proposed Constitutional Amendments Are These Necessary?

Let us now examine the proposed constitutional amendments in the light of the discussion in the two previous sections It appears from the speeches of leaders and newspaper reports that the government has felt the need for these amendments mainly because of two reasons (1) It is felt that state governments are not very enthusiastic about implementing PR in their respective states as they are not prepared to share power with lower level bodies In fact it is argued that some state governments have grabbed the power back from PR bodies gradually There is therefore a need to amend the Constitution to ensure power to PR bodies (2) Local self government and panchayati raj bodies are in the state list in the present Constitution with the result that the centre can not pass any legislation in these areas unless the constitution is amended for the purpose

The main provisions of the proposed Constitution (64th) Amendment Bill can be listed as follows

(1) All states will have three tier panchayati raj system which will include panchayat bodies at village intermediate and district levels Small states with less than 20 lakh population may not, however, have the intermediate tier

(2) Regular mandatory elections will be held every five years for these PR bodies under the control and supervision of the chief election commissioner If a PR body is dismissed for some reason it must be reconstituted through a proper election within six months

(3) All seats in all PR bodies will be through direct elections and office bearers will be from the directly elected members only State legislatures may appoint MPs, MLAs and others on PR bodies for their representation in the panchayats

(4) 30 per cent seats in PR bodies will be reserved for women Reservation of seats for SC/ST will be in proportion to their population in the total population

(5) PR bodies will receive their finances from state governments (in the form of grants) They will also be able to earn revenue by imposing taxes duties tolls and fees on the commodities falling under their purview State finance commissions will review the finances of PR bodies every five years

(6) PR bodies will prepare plans for economic development social justice and social welfare of their population as per the given guidelines These plans will be incorporated later on in state plans

(7) Strict accounting procedures will be laid down to control corruption and misuse of funds by panchayats Comptroller and Auditor General of India will supervise the accounts

Some of the provisions of the amendment bill are welcome Setting up 3 tier (in some cases 2 tier) PR bodies insistence on regular elections ensuring finances to PR bodies involving PR bodies in local level planning etc are afterall desirable provisions One can say that the bill has certain positive points

The crucial questions however are as follows

(1) Does the bill support and encourage decentralisation of power or decentralisation of decision making at all the levels in the country? In other words does the bill which aims at strengthening local self government in the country strengthen the position of the governments below the centre say the state governments?

(2) Are the proposed amendments capable of removing the weaknesses of the present PR systems in the country? Has the bill identified the important constraints of PR structures in India and attacked them so as to ensure development of panchayati raj in the country? And if not is the bill accompanied by other steps which will ensure healthy growth of panchayati raj in the economy?

(3) Does the bill fulfil the requirements of Article 40 of the Directive Principles of State Policy of the Constitution? It is argued by the government today that the proposed amendment emerges from this article. But is it really so?

The following paragraphs attempt to reply to these questions

Decentralisation or Centralisation?

It seems that the proposed bill tends to increase the power of the centre and reduces the same of state governments First of all, the bill has taken panchayati raj out of the state list and put it in the concurrent list so as to allow the centre to pass legislations in this area Secondly, the provision of holding panchayat elections under the supervision of the chief election commissioner and not under state government once again gives more powers to the centre Thirdly, the provision of providing finances to panchayats through the finance commission and not through state government also reduces the power of states (Giving funds for Jawahar Rozgar Yojana directly to panchayats is indicative of the same trend) Fourthly, the power of dismissing panchayats now vests with governors which also increases central control over panchayat bodies And lastly the provisions like 30 per cent representation to women proportionate representation to SC ST etc which are decided at the centre without consulting state governments is another encroachment on powers of state governments

We think that this amendment goes much more beyond the required level of intervention This kind of reduction in the power of states and increase in the powers of the centre is an unhealthy trend leading to more and more centralisation in the country It not only strengthens the present trend of over centralisation of power but it also endangers the federal character of our union Also there is no evidence of the past that suggests that centralisation leads towards more decentralisation at the micro level In fact our experiences in the past suggest that the motives behind this step may not be very healthy Afterall the centre that cannot even grant an autonomous TV centre to state governments is hardly likely to share power with lower bodies!

Barking at the Wrong Tree?

We have listed above some pre conditions for the success of panchayati raj on India on the basis of the past experiences in this area We have seen that evolving a comprehensive concept of panchayati raj strengthening the position of the poor, preparing PR members for the new task and some reorganisation of the bureaucracy are some of the important requirements on the foundation of which the superstructure of panchayati raj can be built

The proposed amendments however, touch upon only a part of the requirements and does not fulfil the pre-conditions For example, we do not see much evidence (I mean concrete evidence) of decentralised planning with strong micro-level planning

process in the country Though a large number of committees (such as Working Group on District Planning, CAARD—Committee for Administrative Arrangements For Rural Development, etc) have recommended strengthening of planning process at district and below district levels very little has been achieved Even the newly floated Jawahar Rozgar Yojana is not to be integrated with a sound planning exercise at the micro level In short there is no evidence to suggest that government is evolving a comprehensive concept of panchayati raj encompassing economic political and welfare dimensions

It is also worth noting that the proposed amendment takes no notice of the highly exploitative power structures in our rural areas It completely ignores the fact that the powers of panchayats today are in the hands of those who have not only no concern about the needs of the poor but who are also exploiting the poor very badly It also ignores the reality that the poor and highly unorganised masses are in no position to use their vote for their own benefits Giving them powers without doing anything about the exploitative structure is surely going to be a futile exercise

We think that the approach adopted in the proposed amendment is at best partial which may not serve much purpose

Article 40

It is argued by the government that the proposed amendment emanates from Article 40 of the Constitution which as we have seen was added to the Constitution almost as an after thought The article says that the state shall take steps to organise village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self government

We think that this article does not necessarily call for the proposed amendment in the Constitution First of all the word state stands for centre and state both and when local self government is a part of the state list the word state here may mean state government rather than the centre And secondly it will be more appropriate to entrust state governments with the development of panchayati raj and to protect autonomy of states than empower the central government with this task if the ultimate objective is decentralisation of power in the country

Concluding Observations

It is true that panchayati raj structures set up in our country are not doing very well and that there is a need to revitalise them There is basically a need to evolve a comprehensive concept of panchayati raj which clearly spells out as to what kind of role is expected from it The othe steps then should follow to introduce and develop the new concept

It is also necessary to get disillusioned about the role of representative participation in the country It is important to realise that representative participation may not lead to mass participation in our kind of socio economic power structure Changing this structure or at least strengthening the position of the poor against exploitation is an important requirement for the success of panchayati raj

The proposed Constitutional (64th) Amendment Bill when viewed in this background is at best a partial and weak attempt to save panchayati raj We think that it is more likely to be misused by the centre than help the process of decentralisation

Notes

1 *Times of India* of May 11 May 16 *Economic Times* of May 11 and *Indian Express* of May 11 May 12 and May 13 1989

2 Mahatma Gandhi Indias Independence Must Begin at the Bottom *Kurukshetra* February 1989

3 Government of India *The Constitution of India* New Delhi

4 The committee remarked So long as we do not create representative and democratic institutions which will supply the local interest supervision and care necessary to ensure that expenditure of money upon local objects conforms the needs and wishes of the locality invest it with adequate power and assign to it appropriate finance we will never be able to evoke local interest and excite local initiative in the field of development Refer to *Report of the Committee on Plan Projects* Planning Commission New Delhi 1959 Vol I p 5
Today about 14 states and union territories have three tier PR system 4 have two tier PR system 9 have only one tier PR system and 4 states and union territories have traditional councils of village elders Refer to *Panchayati Raj at a Glance Status of Panchayati Raj Institutions in India 1987 88* Government of India Ministry of Agriculture New Delhi 1989 Also refer to Ministry of Agriculture and Irrigation Department of Rural Development *Report of the Committee on Panchayati Raj Institutions* Government of India New Delhi 1978 (chairman Ashok Mehta)

6 *Report of the Working Group on District Planning* Vols 1 and 2 Planning Commission Government of India New Delhi 1983 (chairman C H Hanumanth Rao)

7 Department of Rural Development Ministry of Agriculture *Report of the Committee to Review the Existing Administrative Arrangements for Rural Development and Poverty Alleviation Programmes* (CAARD) Government of India New Delhi 1985 (chairman G V K Rao)

8 Concept Paper on panchayati raj Ministry of Agriculture Government of India New Delhi 1985

9 Some of the studies are as follows
a B P S Bhadouria (Ed) *Panchayati Raj and Rural Development* Common Wealth Publishers New Delhi 1989
b U Gurumurthy *Panchayati Raj and the Weaker Sections*, Ashish Publishing House, New Delhi, 1987
c H Harichandran *Panchayati Raj and Rural Development A Study of Tamil Nadu* Concept Publishing House New Delhi 1983
d N V Prakash Rao Operational Dynamics of Panchayati Raj *Kurukshetra* June 1987
e K Uma Mahesh Pathak and M Sundra Rao The New Panchayat Mandal Set Up in Andhra Pradesh *Kurukshetra* April 1986
f V T Patil and A T Kittur "An Analysis of Official Non Official Relations in Panchayats *Kurukshetra* April 1986
g S K Singh Panchayati Raj Stumbling Blocks in Its Path *Kurukshetra* April 1986
h P V S Ramakrishna Reddy Mandal System in Andhra Pradesh *Kurukshetra* June 1987
i The High Level Committee on Panchayati Raj (Report) Panchayat and Health Department Government of Gujarat Gandhinagar 1972 (chairman Zinabhai Darji)
j Report of the Panchayati Raj High Power Committee Panchayati and Health Department Government of Gujarat Gandhinagar 19 5 (chairman Rikhavdas Shah)
k Report of the Evaluation Committee on Panchayati Raj Government of Maharashtra Bombay 1971 (chairman Bonkirwar)
l H Shivaiah Panchayati Raj An Analytic Survey National Institute of Rural Development Hyderabad 1976

10 Indira Hirway *Abolition of Poverty in India With Special Reference to Target Group Approach in Gujarat* Vikas Publishing House Ltd 1986

11 For a detailed discussion on theories of participation refer to Indira Hirway op cit p 134

12 George Mathew (Ed) *Panchayati Raj in Karnataka Today* Concept Publishing House New Delhi 1985

13 Also refer to Amal Ray New Panchayat System in Karnataka Elections and After *Economic and Political Weekly* February 14 1987

14 Gurumurthy op cit

15 Refer footnote No 10

16 I C Jain Panchayati Raj and Decentralisation *Kurukshetra* February 1989

17 Indira Hirway op cit p 356

18 Ibid

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It is hereby notified for the [illegible] **UB Limited** [illegible] Government in the Department [illegible] Affairs New Delhi [illegible] Section [illegible] and Restrictive Trade Practice [illegible] 1969 [illegible] Company Brief particulars [illegible]

1	[illegible]	**UB Limited** [illegible]
4	[illegible]	[illegible]
5	Location of the New [illegible]	Khammam [illegible] Andhra Pradesh
6	Capital structure of the proposed undertaking	The proposed undertaking [illegible] organisation [illegible] structure
	In case the proposal relates to the production storage supply distribution marketing or control of any goods articles indicate	
	a Name of the goods article	Beer
	b Proposed Licensed Capacity	[illegible]50 000 HL [illegible]
	c Estimated Annual Turnover	R [illegible] Crore
8	In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc	Not applicable
9	Cost of the project	R 10.06 Crore
10	Scheme of Finance indicating the amount to be raised from each source	Partly from [illegible] Annual [illegible] by raising loans and [illegible]

Any person interested in the matter may make a representation in [illegible] Department of Company Affairs Government of India Shastri Bhavan New Delhi 110 001 within [illegible] days from the date of publication of this notice intimating [illegible]

[illegible] UB LIMITED

V VENUGOPAL

Dated 27/6/89

Inter and Intra Occupational Differences in Income and Level of Living

Manabendu Chattopadhyay
Robin Mukherjee
Ashok Rudra

Using a sample of West Bengal state employees the authors analyse the nature and extent of differences in income, service conditions and levels of living across occupational groups. This is the third in a series of articles aimed at analysing inter- and intra-occupational differences in income and standard of living.

THIS is the third in the sequel of papers with focus on the nature and extent of differences in income, service conditions and level of living of people across different selected occupation groups based on results of a sample survey covering employees in different organisations located in Calcutta. In the first two papers (April 22 and June 10) we presented results pertaining to employees of banks and the LIC and central government offices respectively. The present paper is devoted to an analysis of results for West Bengal state government employees. The motivation for undertaking the present study and the importance of the kind of information being thrown up has already been elaborated upon in the first paper of the series.

I

Survey Design

The sample selection of the state government employees was done by following the same procedure as used for the central government employees. To be precise, we used a two stage sampling method in the first stage of which a number of state government offices located in the Calcutta municipal corporation area were selected by the method of simple random sampling without replacement from a list of state government offices prepared from the Calcutta telephone directory. For the selection of second stage sampling units i.e. employees, five lists of workers were prepared from the selected offices. Since our interest was to study the differentials between employees belonging to the occupation groups at the supervisory levels and the clerical cadre, a clear distinction was made between these two groups while preparing the lists. However, observing that both these groups of employees are placed in pay-scales diverging widely even within the group, it was decided to further sharpen our results by dividing each of these groups of employees into sub-groups. Thus, the clerical staff was divided into two groups C and D while the supervisory staff was classified as belonging to group A or group B. The group A workers were further divided into two sub groups I and II. The classification of these workers into the five groups sub groups was made in such a way as to conform, as far as possible, to the classification made for the central government employees.

The stratification of the workers into five groups ensured representation over the whole range of income earners in the respective selected offices. Furthermore, even within each group the workers were arranged in the list according to their date of joining the state government so as to cover workers in the sample having different levels of seniority. In the second stage therefore employees were selected half samplewise from each of the five lists independently by following the circular systematic sampling procedure. The total number of employees thus selected was 40. The group wise distribution of sample employees is given in Table 2.

II

Results

Service Conditions

It may be recalled that in our first paper we held out the view that a certain degree

TABLE 1B: SAME AS CIRCULARS RECEIVED AND DEDUCTIONS

Category of Employees	Percentage of Annual Gross Salary: Bonus	Voluntary Deductions	Repayment of Loans and Advance
(1)	(2)	(3)	(4)
Group A I	0.00	1.00	11.00
II	2.00	.00	4.00
Group B	0.00	1	6.94
Group C	0	1.00	11.05
Group D	1.00	1	[illegible]

TABLE 1A: SALARY INCOME

Category of Employees	Number of Respondents	Gross Salary: Last Month	Gross Salary: Last Year*	Salary Net of Income Tax and Professional Tax: Last Month	Salary Net of Income Tax and Professional Tax: Last Year: Amount	Salary Net of Income Tax and Professional Tax: Last Year: Index
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Group A I	2	5857.50	71218.00	5436.00	6[illegible]743.00	4.40
		(5560.00	(63971.00	(5334.00	(62[illegible]71.00	
		6155.00)	78465.00)	5539.00)	[illegible]65.00)	
II	4	4163.95	47865.64	3843.70	45442.89	2.95
		(3876.70	(43464.40	(2855.[illegible]0	(42263.40	
		4363.70)	53147.35)	4342.[illegible]0)	49[illegible]82.40)	
Group B	8	3375.33	39057.28	3341.96	382[illegible]4.78	[illegible].48
		(2784.70	(31434.40	(2764.70	(31184.40	
		4021.[illegible]0)	48260.40)	4000.[illegible]0)	48[illegible]10.40)	
Group C	10	2378.20	27513.20	2358.10	[illegible]0	1.[illegible]7
		(1812.7[illegible]	([illegible]7.40	(1794.[illegible]0	([illegible]1051.40	
		2917.70)	34179.40)	2896.[illegible]0)	[illegible]	
Group D	16	1337.45	15536.40	1327.08	1541.[illegible]1	1.00
		(1000.70	(11751.40	(996.70	(1170[illegible].40	
		1915.70)	21588.40)	189[illegible].[illegible]0)	[illegible]13[illegible]2.[illegible]0)	

Notes: * Including annual bonus.

(i) Group A I: Employees in the pay scales of Rs 3200-4700 and above.
II: Employees in the pay scales of Rs 1500-2500 and Rs 1600-2250.
Group B: Employees in the pay scales between Rs 610-12[illegible]0 and Rs 1100-1900.
Group C: Employees in the pay scales of Rs 425-910 through Rs 550-1470.
Group D: Employees in the pay scales of Rs 2[illegible]0-424 through Rs 380-910.

(ii) In this and all the subsequent tables the index is defined as the ratio of the amount spent on an item by employees in any particular group/sub group to the amount spent by employees in the lowest group (i.e. group D). The figures in brackets indicate ranges.

of inequality is unavoidable whether between occupations or within occupations even under any rigorously worked out and implemented income policy and therefore that degree of inequality has to be regarded as legitimate It is only that part of the inequality which is more than that legitimate degree which is the subject of our concern However it is difficult if not impossible to form any quantitative ideas about that legitimate degree The importance of our results lies in the fact that they not only throw up estimates of the differentials that exist in the income of people of selected occupation groups but also show how the differentials for the same occupation group vary as the employer changes

We have already presented in our two earlier studies estimates on the extent of income differentials between the supervisory and clerical staff in the banks LIC and central government respectively While analysing the results for the state government employees one would naturally like to compare the same with those of the other groups particularly with the central government employees

Our results in Table 1A considered along with the corresponding table in our earlier paper confirm the general belief that the central government employees are better paid than the comparable state government employees though the difference is not at all that very marked This can be verified by looking at the average in one of the comparable groups of workers in the two governments This is not really a new piece of information What is much more striking is the fact that income differences within the state government employees are found to be considerably more pronounced than those within the central government employees While for the central government the ratio of the average income between the highest and the lowest groups was found to be little over 2 5 that for the state government employees is close to 4 5 Even if we leave out the highest paid employees in the state government (i e group A1) on the ground they belong to the IAS cadre and are subject to the revised pay scales of the central government the differential income between the second highest (group A11) and the lowest paid (group C II) workers is considerably more compared with even that between the two extreme groups in the central government

It may be noted that the figure for ranges associated with individual figures for averages is smaller for state government employees than for the respective figures for central government employees It can therefore be concluded that the smaller dispersion among the average figures for the state government are not due to sampling fluctuations but represent a smaller dispersion in the population figures

Both in the central service and state government service, employees having salary below a certain level are paid stipulated amounts as annual bonus For the state government employees, however this constitutes an insignificant proportion of their annual income More interesting information are however, obtained with respect to voluntary deductions and repayment of loans and advances The percentage of annual gross salary which is 'saved' by way of voluntary

TABLE 1C OFFICIAL TOUR DURING LAST YEAR

Category of Employees	Percentage of Employees Making Tour	Number of Tours per Person	Number of Tour Days Per Person	Average TA Drawn Per Person	Average DA Drawn Per Person	Average TA and DA Drawn Per Person
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Group A I	100 00	10	36 50	NA	NA	14 998 40
		(1 18)	(37 46)			(9039 55
						20 95 25
II	00	8 0	14 00	NA	NA	3 694 28
		(1 10)	(2 70)			(3465 50)
						3923 05)
Group B	0 0	8 8	29 8	489 6	482 33	972 00
		(1 18)	(6 64)	(285 00)	(231 00)	(893 00)
				510 00)	608 00)	1041 00)
Group C	0 00	3 0	13 33	539 07	402 00	941 07
			(10 18)	(159 20)	(252 00)	(411 20)
				1113 00)	504 00)	1562 00)
Group D	6 25	2 0	6 00	304 00	126 00	430 00

TABLE 2 FAMILY COMPOSITION

Category of Employees	Average Family Size	Number of Consumer Units Per Family	Number of Earners Per Family	Proportion of Families with More than One Male Earning Member	Earning Wives	Female Earning Members Other than Wife
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Group A I	3 00	2 2	1 00	0 00	0 00	0 00
II		41	1	0 2	0 50	0 00
Group B	55	1	1	0 13	0 25	0 00
Group C	0	1 05	1 0	0 20	0 10	0 00
Group D	1	1 51	1	0 31	0 31	0 06

Note 1 [illegible] Consumer units see Note 3 of our first article in the [illegible]

TABLE 3 FAMILY INCOME DURING LAST YEAR

Category of Employees	Gross Family Income (Rs)	Gross Family Income Per Consumer Unit: Amount (Rs)	Gross Family Income Per Consumer Unit: Index	Proportion of Family Income Contributed by Other Family Members
(1)	(2)	(3)	(4)	(5)
Group A I	67 [illegible] 00	23937 46	2 70	0 00
	(6 [illegible] 100	(18851 04		
	2 [illegible] 5 00)	35039 66)		
II	70042 89	20540 44	2 31	35 12
	(49 82 35	(12596 98		(0 00 46 22)
	830 8 40)	23271 76)		
Group B	52521 05	16568 15	1 87	25 60
	(34250 40	(9583 10		(0 00 63 39)
	85184 40)	28066 11)		
Group C	39654 0	8473 23	0 95	21 27
	(21313 40	(6295 69		(0 00 39 62)
	53851 40)	20033 23)		
Group D	35544 63	8881 25	1 00	58 28
	(13203 40	(2983 03		(0 00 86 26)
	107112 40)	18878 62)		

deductions is extremely low for all the groups This may partly reflect the fact that those who are higher up in the income ladder do not need fancy savings through voluntary deductions excepting for getting income tax deductions, whereas low salaried employees simply cannot afford to go in for large deductions The corresponding percentages for the central government employees were found to be higher but only marginally

The same is true of repayment of loans and advances The proportionate importance of these deductions is a little higher for central government employees than for state government employees and that also probably represents nothing other than somewhat higher salaries enjoyed by state government employees

Many government officials have to make frequent tours on official work The figures presented in Table 1C provide some interesting information on various aspects of such tours The table shows that the frequency of tours and the average amount paid as TA and DA per employee increase progressively as we go up from the lowest to the highest paid employees and this of course is in conformity with our expectation This pattern was less clear with central government employees Incidentally the average expenditure on travel of top officials of state government service represents nearly double their monthly salary whereas the factor is 3 for central government service These figures should permit us to make estimates of the astronomic amounts that are spent on tours by officials

Family Composition and Family Income

In respect of family composition there seems to be a clear pattern depending on level of income Lower the income higher seems to be the number of earning members in the family other than the respondent The employees of the lowest income group on the other hand have considerably larger families with as high as 2 31 earners per family About one third of these families have more than one male earning members and the same proportion are with working wives More importantly in the bottom group more than fifty per cent of the family income is contributed by other members of the family It would appear that it is to a large extent the economic necessity which forces the members to live jointly There is however, no clear pattern about the incidence of female working members in the family with income level

A comparison between central and state government employees indicate that the contribution by other members to the

TABLE 4 LIVING ACCOMMODATION

Category of Employees	Percentage of Families Living in Per Capita Floor Space Rental Per Month (Rs)						
	Office Quarter	Rented House	Own House	Sq ft	Index	Rented House (Actual)	Own House (Estimated)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Group A I	0 00	100 00	0 00	283 33 (175 00 500 00)	1 88	327 50 (205 00 450 00)	0 00
II	25 00	25 00	50 00	196 67 (150 00 283 33)	1 [illegible]	400 00	1150 00 (800 00 1500 00)
Group B	37 50	12 50	50 00	243 62 (125 00 666 67)	1 62	[illegible] 00 00	415 00 (300 00 500 00)
Group C	10 00	20 00	0 00	145 36 (48 00 240 00)	0 96	1[illegible]9 00 (4[illegible] 00 312 00)	844 29 (150 00 1250 00)
Group D	1[illegible] 50	37 50	0 00	150 80 (24 00 550 00)	1 00	9[illegible] 50 (1[illegible]0 00 [illegible]00 00)	42 86 (250 00 2000 00)

TABLE 5A PUBLIC TRANSPORT

Category of Employees	Expenditure (in Rs)			
	For Going to Office School etc	For Going to Other Place	Total Amount	Total Index
(1)	(2)	(3)	(4)	(5)
Group A I	0 00*	1800 00 (1[illegible]00 00 2400 00)	1800 00 (1200 00 [illegible]00 00)	0 85
II	1836 00 (1200 00 2040 00)	1560 00 (600 00 2400 00)	3394 00 (1800 00 4440 00)	1 61
Group B	10[illegible] (0 00 2160 00)	1302 00 (300 00 3[illegible]56 00)	3[illegible] ([illegible]0 00 [illegible]16 00)	1 12
Group C	14[illegible] 80 (660 00 3240 00)	45[illegible] 40 (90 00 1[illegible]00 00)	104 80 ([illegible]0 00 [illegible]40 00)	1 00
Group D	1387 43 (312 00 3792 00)	26 38 (0 00 2820 00)	113 80 (4[illegible] 00 6[illegible] 00)	1 00

Note * Children [illegible] in hostel so no expenditure for [illegible] school

TABLE 5B EDUCATION (LAST YEAR)

Category of Employees	Average Expenditure Per Reporting Family		Average Expenditure Per Student		Percentage of Educational Expense		
	Amount (Rs)	Index	Amount (Rs)	Index	Tuition and Other Fees	Book Stationeries etc*	Private Coaching
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Group A I	21100 00	8 71	10550 00	6 52	73 [illegible]3	6 0	0 00
II	4966 75 (2254 00 10503 00)	2 05	3311 17 (2025 00 5251 50)	2 04	18 31	11 [illegible]	69 81
Group B	3557 17 (1012 00 6580 00)	1 47	2145 10 (506 00 3290 00)	1 33	7 40	51 58	41 02
Group C	2627 30 (566 00 5903 00)	1 08	1251 10 (506 00 3290 00)	0	11 54	22 72	65 74
Group D	2423 70 (256 00 11710 00)	1 00	1615 80 (128 00 5855 00)	1 00	66 98	18 16	14 86

Note * Includes expenses on school bus uniform excursions etc

TABLE 5C MEDICAL (LAST YEAR)

Items	Category of Employees				
	Group A		Group B	Group C	Group D
	I	II			
(1)	(2)	(3)	(4)	(5)	(6)
1 Expenditure per family per annum					
a) Amount (Rs)	2395 00 (7 0 00 40 0 00)	925 00 (0 00 2700 00)	1313 13 (0 00 4085 00)	1055 40 (100 00- 3084 00)	1350 94 (100 00 5800 00)
b) Index	1 7	0 68	0 97	0 78	1 00
2 Percentage of expenditure reimbursed	31 75 (0 00 4) 5)	0 00	0 00	0 00	0 00
3 Employee contributed (per cent)	0 00	0 00	0 00	0 00	0 00

TABLE 5D HOLIDAY TRAVEL (LAST 4 YEARS)

Item	Category of Employees				
	Group A		Group B	Group C	Group D
	I	II			
(1)	(2)	(3)	(4)	(5)	(6)
1 Expenditure per family (Rs)	13000 00 (6000 00 7 000 00)	5570 00 (1700 00 10000 00)	830 00 (0 00 4000 00)	1234 00 (0 00 3400 00)	1312 50 (0 00 500 00)
2 Index	10 6	4 21	0 63	0 93	1 00
3 Percentage of expenditure reimbursed	48 93 (45 00 50 00)	0 00	0 00	0 00	0 00
4 Percentage of families making at least one holiday trip	100 00	100 00	0 00	50 00	75 00
5 Number of holiday trips per reporting family	2 00	1 50	1 50	2 20	2 08
6 Average duration of holiday trips (days)	14 00	12 67	9 00	7 36	11 56
7 Percentage of families getting reimbursement for holiday tour at least once	100 00	0 00	0 00	0 00	0 00

TABLE 6 DURABLES

Items	Percentage of Families Possessing Durables by Category of Employees				
	Group A		Group B	Group C	Group D
	I	II			
(1)	(2)	(3)	(4)	(5)	(6)
1 Television					
A Colour	0 00	75 00	12 50	0 00	6 25
B Black and white	100 00	0 00	62 50	40 00	75 00
2 Refrigerator	100 00	100 00	37 50	0 00	12 50
3 Tape recorder	100 00	50 00	37 50	20 00	31 25
4 Two in one	100 00	0 00	12 50	0 00	6 25
5 Scooter	0 00	0 00	12 50	10 00	6 25
6 Invertor	0 00	0 00	0 00	0 00	12 50
7 Telephone	50 00	50 00	0 00	10 00	0 00
8 Camera	100 00	75 00	37 50	10 00	37 50
Number of consumer durables (out of 21)* possessed per family	9 00	7 50	5 13	3 20	4 13
Average value of durables possessed per family	18425 00	16407 50	9655 63	3563 10	8092 81

Notes * The items other than the 8 listed are radio VCR record player, gas stove, water filter bicycle, motor car motor-cycle, emergency light generator slide projector and sofa set None of the families in our sample possessed either a motor car or VCR

family income is generally lower among central government staff We have seen before that the dispersion in the salary incomes between state government employees is larger than amongst central government employees This relation remains unchanged when we consider family income instead of salary income of the respondent

LEVEL OF LIVING DIFFERENCES

While one may expect a reflection of the differences in the family income on the standard of living our earlier papers in this series indicated that this is not generally true for the occupation groups considered in this study To be precise for certain types of expenditure, the relationship between income and level of living is very clear but for some others the correlation is found to be rather weak This general conclusion remains valid for the families of the present group of respondents as may be noted from the detailed discussion of the results below

In respect of living accommodation excepting for employees in group AI 50 per cent or more of the families live in their own houses The per capita floor space enjoyed does not seem to bear any direct relationship with income As far as rental per month for rented house is concerned we observe that it increases with income The top group consisting of a sample of only two does not conform to the pattern but that is almost certainly due to sample fluctuations

As to expenditure on transport for going to places of work one is once again faced with weak relation with income The expenses for the top group for going to places of work is found to be nil By the hazards of sampling these two sample families have no children staying with them The respondents themselves use of

TABLE 7 SARIES

Category of Employees	Female Adults Per Family	Sarees Per Adult Female	
		Below Rs 100	Rs 100 and Above
(1)	(2)	(3)	(4)
Group A I	1 00	20 00	32 50 (20 00- 45 00)
II	1 75	9 29 (5 00 12 00)	13 71 (7 00 25 00)
Group B	1 5	10 00 (5 00 14 00)	16 27 (4 00 35 00)
Group C	2 2	7.81 (5 33 19 00)	10 00 (6 00- 20 00)
Group D	1 88	13 15 (5 00- 30 00)	14 85 (4 00 40 00)

fice cars to go to their places of work By the hazards of sampling once again some other respondents in our sample live within walking distance of their places of work All these factors contribute to weakening the relation between expenditure on transport and income which may be expected to be positive

The influence of income is more clearly noticeable on educational expenses The average expenditure on education during the last year is seen to increase as we move from employees in group D to group A In fact the increase becomes exceedingly high particularly towards the upper end with employees of group AI spend many times more than what employees in the lowest group spend In terms of average expenditure per student also the same thing is observed though the differential is reduced to some extent The break up of the educational expenses into the constituent items indicates a very striking pattern The top and the bottom groups spend overwhelmingly high proportion on tuition and other fees and little on private coaching As to the highest category the respondents are of advanced age and their children have crossed the school stage as such tuition fees are high and coaching fees low As to the lowest category they spend less on coaching as they can afford less

The state government employees receive no medical reimbursement but a fixed medical allowance every month of the highly impressive sum of Rs 16 10! Employees in group AI on the other hand belong to the central services and 50 per cent of them get reimbursement This percentage it should be noted is significantly higher than that observed earlier for central government employees More important information are however, provided by our estimates of the annual family expenditure on medical treatment No clear pattern of increase with income is observed

Holiday travel is an item of non essential expenditure which may therefore be expected to be dependent on income This may be expected to be all the more so with state government employees who do not benefit from leave travel concession schemes The data however show that response to income is high only with employees of group A With employees of lower categories there is no clear pattern

Durables however, reveal a pattern conforming to expectations The number and value of consumer durables turns out to be a sensitive indicator of income level For the individual items also we find the assertion to be by and large valid Again one notices that employees of group AI appear to be a class distinctly different from the rest The differences among the three bottom groups are not sharp and it

Table 8 Some Selected Non Food Items of Consumption

Category of Employees	Monthly Expenses (Rs) Per Family						
	Books	News papers and Periodicals	Art Objects	Cinema, Theatre, etc	Games	Photo graphy	Cigarettes
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Group A I	29 17 (25 00-33 33)	152 08 (140 00-164 17)	29 17 (0 00-58 33)	0 00	0 00	50 00 (41 67 58 33)	40 00 (0 00 80 00)
II	10 11 (0 00-25 00)	62 50 (25 00-100 00)	0 50 (0 00-2 00)	27 50 (0 00-100 00)	10 42 (0 00 41 67)	20 83 (0 00 83 33)	68 75 (0 00 250 00)
Group B	33 33 (0 00-125 00)	61 17 (36 00-100 00)	0 00	7 81 (0 00-20 83)	5 21 (0 00-41 67)	0 52 (0 00-4 17)	3 75 (0 00-30 00)
Group C	11 21 (0 00 33 33)	39 87 (0 00 93 67)	0 00	7 83 (0 00-25 00)	4 58 (0 00-25 00)	3 33 (0 00-33 33)	62 50 (0 00-330 00)
Group D	8 71 (0 00 41 67)	36 15 (0 00 110 00)	0 00	22 03 (0 00-100 00)	2 60 (0 00-16 67)	8 13 (0 00-41 67)	40 50 (0 00 200 00)

Note In previous instalments this particular table included a column for drinks In view of the fact that respondents refuse to reply to this particular question we have decided to omit the item from this instalment

Table 9 Some Selected Food Items

Items	Category of Employees				
	Group A		Group B	Group C	Group D
	I*	II			
(1)	(2)	(3)	(4)	(5)	(6)
Fish					
(a) No of days consumed per month	29 00 (28 30)	19 75 (12 27)	22 75 (15 30)	17 40 (10 26)	13 00 (0 30)
(b) Quantity consumed per day of consumption (kg)	0 23 (0 20 0 25)	0 56 (0 40 0 75)	0 32 (0 20 0 40)	0 38 (0 2 1 0)	0 41 (0 00 1 00)
(c) Expenditure per month (i) Amount (Rs)	276 50 (225 00 298 00)	354 25 (144 00 488 00)	215 50 (120 00 280 00)	169 44 (61 88 418 00)	190 59 (0 00-550 00)
(ii) Index	1 45	1 86	1 13	0 89	1 00
Meat					
(a) No of days consumed per month	2 5 (0 5)	4 25 (2 10)	2 13 (0 4)	3 20 (2 4)	2 44 (0 5)
(b) Quantity consumed per day of consumption (kg)	0 1 (0 0 0 2)	0 75 (0 5 1 0)	0 41 (0 00 1 00)	0 67 (0 25 1 5)	0 59 (0 00 1 50)
(c) Expenditure per month (i) Amount (Rs)	19 00 (0 00 38 00)	133 25 (40 00 350 00)	48 38 (0 00 160 00)	71 30 (23 80 168 00)	56 36 (0 00 160 00)
(ii) Index	0 34	2 36	0 86	1 27	1 00
Egg					
(a) No of days consumed per month	17 00 (4 30)	22 00 (8 30)	11 50 (0 30)	12 20 (0 30)	8 75 (0-30)
(b) Quantity consumed per day of consumption (no)	2 5 (2 3)	2 75 (2 4)	2 63 (0-6)	3 30 (0 8)	3 13 (0-10)
(c) Expenditure per month (i) Amount (Rs)	49 00 (8 00 90 00)	60 50 (24 00 90 00)	36 95 (0 00 68 00)	23 10 (0 00 60 00)	18 43 (0 00 60 00)
(ii) Index	2 66	3 28	2 00	1 25	1 00
Milk					
(a) No of days consumed per month	30	30	30	27 00 (0 30)	24 38 (0 30)
(b) Quantity consumed per day of consumption (lit)	1 00	0 88 (0 50-1 0)	1 03 (0 5 2 0)	0 65 (0 00-1 00)	0 84 (0 00-3 00)
(c) Expenditure (i) Amount (Rs)	179 00 (129 00 150 00)	122 38 (64 50 155 00)	131 44 (49 50-300 00)	93 10 (0 00 165 00)	104 62 (0 00 393 00)
(ii) Index	1 71	1 17	1 26	0 89	1 00

Note * In one family there are no children In the other there are 2 sons both in hostels Hence educational expense is high and that on food is low One family out of the two does not take meat

TABLE 10 DOMESTIC SERVANTS

Category of Employees		Percentage of Families Having No Domestic Servant	Percentage of Families Having Domestic Servant: Resident	Percentage of Families Having Domestic Servant: Non Resident	Percentage of Families Having More than One Servant	Working Hours Per Day of Non Resident Servants	Monthly Wage (Rs): Resident	Monthly Wage (Rs): Non resident
(1)		(2)	(3)	(4)	(5)	(6)	(7)	(8)
Group A	I	0 00	0 00	0 00	0 00	4 00	70 00	100 00
	II	0 00	[illegible]	5 00	25 00	4 25	63 33	80 00
							(30 00	(60 00
							100 00)	100 00)
Group B		0 00	[illegible]	[illegible]	12 50	2 88	50 00	63 75
						(1 00		(35 00
						6 50)		125 00)
Group C		10 00	[illegible]	50 00	0 00	3 14	50 00	62 86
						(1 00		(40 00
						8 00)		150 00)
Group D		31	[illegible]	56 25	6 25	3 94	82 50	48 33
						(1 00	(65 00	(30 00
						12 00)	100 00)	70 00)

TABLE 11 CONSUMPTION EXPENDITURE

Category of Employees		Expenditure on Ceremonials (During Last 5 Years) For Family (Rs)	Puja Purchases (Last Year): For Own Family	Puja Purchases (Last Year): For Making Gifts
(1)		(2)	(3)	(4)
Group A	I	8350 00	1250 00	3000 00
		(6500 00 10 000 00)	(0 00 2500 00)	(1000 00 5000 00)
	II	50562 50	1300 00	1212 50
		(6000 00 1 22 000 00)	(300 00 2000 00)	(150 00 2200 00)
Group B		10275 00	1314 38	612 50
		(0 00 60 000 00)	(500 00 2800 00)	(250 00 1000 00)
Group C		19820 00	947 50	385 00
		(0 00 1 47 500 00)	(0 00 3000 00)	(0 00 1500 00)
Group D		15180 16	923 75	796 56
		(0 00 1 07 500 00)	(0 00 2300 00)	(0 00 2730 00)

would be justified to treat them as a single homogeneous group for the point of view of consumption aspirations

The number of sarees possessed per adult female in the families of the respondents again show marked difference only for those belonging to group AI Among the rest there is no pattern of dependence on income

The items presented in Table 8 also reveal no pattern of dependence on income The only comment called for by these items is about the extremely low expenditures incurred on these items which reflects one's valuation of cultural activities It should be a sobering thought for all those who believe that the Bengali middle class attaches a great deal of value to culture

The few selected items of food presented in Table 9 reveal a pattern of dependence on income which is normal The deviation in the case of fish and meat consumption by the top group is obviously a matter of sampling fluctuation Meat does not seem to be an item of regular consumption for any of the groups So far as egg is concerned, the averages do not show very high rate of consumption It should be noticed however that there are families at all levels which consume egg every day Milk is an item of daily consumption for those belonging to groups A and B They do spend a substantial amount every month for milk The average is, however, much higher for group AI employees than the rest

Employing domestic servants is, as in the earlier cases, seen to be a common feature with these families Not all families in the poorest group, however, can indulge in such expenditures The monthly or hourly wage paid to the servants is again found to be abysmally low Dependence on family income is there but is not very sharp

Expenses on ceremonials also do not bear any clear relationship with the level of incomes Festival purchases reveal a clearer dependence pattern, more so for making gifts than for own family

CONCLUDING OBSERVATIONS

A comparison of the results in the present paper with those in the second in the series confirm the generally held impression that central government employees are better off than the state government employees in terms of salary income But the difference is marginal and gets even further dampened when we pass on to family income or level of living

It was argued in the earlier papers that variations in expenditure on various items cannot always be explained in terms of variations in income It was suggested that it is possible to demarcate some large income ranges within which the level of expenditure on many items are insensitive to variations in income Our results for state government employees lend further support to this hypothesis

Looking at the inter occupational differences within the state government (that is differences between the different categories into which they were divided) it is seen that employees in group AI, who are really the central government employees, are way above the rest not only in terms of salary income but also in many other respects Judging by expenditure habits, employees of groups C and D seem to constitute a more or less homogeneous group The homogeneity extends to include the group B workers for certain items of expenditure

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Sickness in Indian Textile Industry

Bagaram Tulpule

PRAFUL ANUBHAI (July 5) rejects percentage of workers displaced as an indicator of sickness and alleges that I am relying on that percentage in questioning his proposition that the composite mill sector is more affected by sickness than the spinning sector.

I believe that tens of thousands of workers being thrown out on the streets is the most dire consequence of industries going sick and closing down. Hence I do not see anything wrong in taking the percentage of displaced workers as an indicator of the extent of sickness. I do not agree that proportion of capacity rendered idle is necessarily a more correct indicator. I give greater weight to the human consequences of industrial sickness than to the inert ones.

Anubhai further asserts that the proportion of displaced workers is higher in the spinning sector than in the composite sector because the closed spinning mills were overstaffed. That may be so. But it only explains the sickness, does not alter the fact of sickness of these closed spinning mills. For that matter causes can and indeed are attributed for the sickness of the closed composite mills also, but they too will not alter the fact of the closure of these mills.

I do maintain that comparison of idle spindlages in the two sectors would be misleading since idle spindlage in a composite mill may be only a consequence of sickness of the whole mill and not indicative of the spinning operation itself being unremunerative.

So far as profitability is concerned, the ATIRA finding quoted by Anubhai that performance of spinning mills has been relatively better than composite mills may be accepted.

Anubhai's proposition that temporary idle capacity in powerlooms involves very low cost is difficult to agree with. When the idleness is of the order of about 67 per cent of the total, to say that no overheads are incurred is astonishing. Do the looms and their installation come for free? Are no interest and rent payable? And so far as not paying workers is concerned, have not many composite mills too defaulted in the payment of even earned wages, not to speak of idle time wages, and dues deducted against provident fund and employees' state insurance?

Operating costs of powerlooms are admittedly lower compared to looms in composite mills, although there may be differences about how much lower. Regarding cost of yarn, even ATIRA grants an advantage to the composite mills of as much as 10.4 per cent, which is not vastly below my own estimate of 12 per cent. Overall cotton cloth woven on powerloom may indeed be cheaper by 5-10 per cent as ATIRA finds. But this advantage can be more than neutralised by other relative advantages enjoyed by the composite mills: cheaper bank credit, strong market presence, greater bargaining strength, higher technological expertise, better quality control, and so on.

According to Anubhai, even when cotton prices fell quite sharply, the industry could not produce more due to emergence of large number of spinning mills and more cost effective powerloom sector. But composite mills' own cost of production could have come down if they had produced more, which would have meant better utilisation of capacity and lower unit overhead costs. Neither the emergence of new spinning mills nor the cost effectiveness of powerlooms explains the fact that composite mills produced not more but less when cotton prices were falling.

Then, of course, we have the familiar argument that when cotton prices rise, cloth prices also rise, but when cotton prices fall, then also cloth prices rise because prices of other inputs rise. But let us look at this a little more closely. Reading Anubhai's Tables 10 and 11 together, we find that between 1984-85 and 1986-87 cotton prices fell by about 30 per cent, which would bring down cloth costs by 12 per cent. On the other hand, during the same period prices of power and fuel rose by about 20 per cent, those of dyestuffs and chemicals by about 15 per cent and of stores and spares by about 17 per cent. All these three groups together would therefore raise costs by about 4.5 per cent. Assuming average wages to have risen by as much as 20 per cent over the period, that would add about 4.6 per cent to costs. All these together would mean a cost increase of about 9.1 per cent against a cost decrease due to lower cotton prices, a net advantage of 2.9 per cent. Yet cloth prices, far from coming down, actually went up by over 5 per cent over the same period. Were the powerlooms or the emergence of large number of spinning mills to blame for this?

Regarding locational differentials, my main point was that states which together account for less than 10 per cent of productive capacity cannot be serious competitors to the incomparably larger centres regardless of substantial differences in costs of production. The locational shifts Anubhai is talking about, if at all they occur, will take long and involve heavy costs of their own, apart from the fact that if and when significantly large capacities are set up in these presently low cost states, their costs also will inevitably go up.

Regarding the financial data presented in Anubhai's Table 21, I never took it as presented, sector-wise. I took it as representative of the entire industry since it had not been qualified in any other way. If it is representative of both private and public sectors together, as appeared to be the case on the face of it, then I do not know how my observation quoted by Anubhai can be called 'misplaced'. If the financial performance of one of the two sectors is worse than the combined performance, then the performance of the other sector must necessarily be correspondingly better than the combined performance. My observation could be faulted only if the sample covered by Table 21 was exclusively from the private sector, and was stated to be so in the first instance.

I must confess that my statement about the value of imports of textile machinery was in error, and I regret it.

About the importance to be given to exports and making the textile industry internationally competitive for that purpose, I have stated my views at length. I am aware that these views are not fashionable currently, but I hold them after full deliberation. I do not reject the export potential of Indian industry, as Anubhai alleges. What I question is the wisdom of laying excessive stress on exports.

My doubts about accuracy of export statistics persist. According to Anubhai: It appears that in Pakistan production of cloth in the decentralised sector is 8 to 10 times that of the organised sector. Even he is not sure. There is little evidence for this. The ICMI *Handbook of Statistics* says that there are approximately 50,000 powerlooms in the decentralised sector, while in the organised sector there are 20,000 automatic shuttle looms and 3,000 shuttleless looms. Where from does the 8 to 10 times output of the decentralised sector come? From handlooms? In that quantity? And does that account for the surplus of exports over the output of the organised sector? Would our own very considerable experience with handlooms warrant such a conclusion?

For yarn production too I remain unconvinced that the factors listed by Anubhai can result in doubling of per spindle output. Our own spinning capacity is reasonably modernised, much of it is fairly new, and there is no reason to assume that its productivity is so poor in comparison with Pakistan's. Our utilisation was of the order of 70 to 75 per cent on a 3-shift basis in 1984 (ICMI *Handbook of Statistics*). About 60 per cent of the yarn spun was 30s and below, over 85 per cent 40s and below. So neither higher utilisation nor productivity nor coarser counts could explain the yarn output per spindle in Pakistan being more than twice that in India.

The different sets of statistics, thus, do not appear to be mutually consistent. On the cotton balance now cited by Anubhai I am not in a position to comment, but would invite attention to the fact that figures of export of yarn and fabrics given in the cotton balance differ considerably for those in the ICMI *Handbook of Statistics*. Which are to be relied upon and why?

'Is production capacity inflexible?' asks

Anubhai in the context of his plea for free exports of cotton yarn One real limiting factor of course is availability of cotton in which we hardly have a large margin But the more important question is whatever increase in yarn output is achieved should it go to exports rather than to satisfy the demand of our own weaving capacity which is large enough to absorb all the yarn we can conceivably produce in the foreseeable future There is nothing wrong in exports as such but everything wrong if exports are at the cost of starving our own loom sector in the decentralised sector

Earlier in his reply Anubhai has tried how the composite mills have to compete and that on unequal terms with the low cost powerloom sector If this is not sufficient pressure for the mill sector to take a hard headed look at its costs how will the slogan of becoming internationally competitive induce it to do so?

If Anubhai had read my piece carefully he would have seen that I did not make any a priori judgment on the choice of technology but tried to spell out the considerations primarily unit cost of production that should guide the choice Nor have I made any sweeping generalisation that all choices of technology have been wrong My use of choices in plural should make it clear that I did not speak of one across the board choice but viewed the choice selectively some of which especially some involving the latest technology' have been in my view wrong since they have not helped the concerned mills to reduce costs

I am glad to note that although Anubhai begins this part by charging me with having made a sweeping generalisation he ends it by agreeing that if modernisation is attempted without fully relating it to products and economies of operation it could lead to disasters

This is not the occasion to enter into an ideological debate on the place of profits in socially desirable activity Anubhai and I are not likely to agree on this question What is happening in the USSR is hardly relevant here In an excessively centralised economy and segmented society as USSR was till recently the corrective naturally had to be in the direction of opening up But in an economy and polity which despite all talk of planning are almost chaotic the corrective has to be in the opposite direction The most recent events in China raise doubts about how much we really know about what is happening there Nowhere in my piece did I suggest shutting market forces out I was focussing on the anomaly that a country so favourably endowed in the field of textiles should find its textile industry the largest and oldest in the country in the doldrums It is my conviction that an alternative strategy in dealing with it is feasible and desirable and I made an effort to sketch it in outline

Women Studies in India

Neera Desai
Maithreyi Krishnaraj

ASHOK RUDRA it appears has chosen to use his review of *Women and Society in India* (April '89) really to launch an attack on women studies According to him women studies in India is nothing but shoddy research and hack writing and no heroic attempt can salvage it There are also several inaccuracies in his references to sections in the book but we will confine our reply to his general criticisms

First let us clear one or two points Rudra faults us on two counts simultaneously for failing to live up to a claim we are supposed to have made and also for not having made such a claim A text book does not need to propound a theory It usually presents different points of view and alternative theories that are current To compare a text book with Betty Friedan's polemical tract is to equate two non comparable categories If at all a comparison was in order it should have been with a women studies text used in the west and there are several of them The feminist perspective in the book lies in the departure from the earlier humanistic arguments to a focus on women's own specific needs and interests The Indian education system being what it is there was need to put available material in one place and that is all we tried to do It is not true that there is no serious analytical work The book under review draws primarily on articles in journals acknowledged to be of some standard It is a step in the direction of better understanding if not a full fledged theory It is incorrect to allege that it is the introduction of women studies by UGC in the universities that has given rise to a spate of shoddy writing The UGC has stepped in just two or three years ago and today there is hardly any university which has a full fledged women studies course There is a paper in some discipline or the other in three or four places not sufficient to evoke such a flood of hack writers Serious work by a dozen or so good scholars began in the late seventies when women studies had neither acquired a nomenclature nor much legitimacy It is the effort of these early scholars and the interesting issues they have opened up that have induced a few mainstream academics to sit up and take notice and a few of them have since engaged in women studies research when a decade ago they would have spurned it as not worthy of their attention

To come now to the more substantive issues raised by the reviewer—that women studies in India lacks a theoretical framework that it has failed to isolate the oppression of women *qua* women and lastly that Indian scholars refuse to learn from western feminists out of a bigoted cultural chauvinism

Rudra obviously has not been in touch with what has been happening From the late seventies and more particularly the early eighties there has been considerable cross cultural anthropological work, which has been highly critical of the narrowness of the western feminist formulations their ethnocentricity and their class bias Women of colour in the west have formed their own organisations and have found the American (or European) feminist theories unaccommodative of class and race questions There is general disenchantment with a universalistic theory Isn't it strange that at precisely a time when western feminists face serious criticism for universalisation based on their limited experience Rudra should pull us up for not adopting their theories? There is much to learn from them and we owe to them the use of patriarchy as an analytical category The book in question has this as the underlying theme It is now commonly accepted that the three basic ingredients of patriarchy are control of women through control of their sexuality reproduction and labour The manifestations of patriarchy in each culture society time may be different It has a historicity but much work needs to be done to provide the linkages To provide an integrated theory one needs input from several sources In fact within the west there are several strands of feminism and corresponding theories

As for our inability to separate poverty from gender oppression in third world countries it is not easy to make this separation Feminists in India hitherto have been accused by the left of being bourgeois and of being western (epithets that occur repeatedly as abuse) and now Rudra finds us wanting for the opposite reason The emphasis on the poor is not misplaced It is precisely the study of poor women that has helped to highlight the specific oppression of women In recent years the discussion on unpaid work of women their role in subsistence production and their lack of control over the products of their labour *within the household* have brought out very poignantly that invisibility is a mechanism for devaluation and hence subordination Unlike class relations a woman's position in the family is simultaneously one of complementarity and conflict To the extent that a woman's survival depends on the survival of the household her interest appears to coincide with that of the household The large number of abandoned women as well as the perpetual threat of disownment breaks the illusion of complementarity Everyone depends on the woman but she cannot in effect depend on anyone As for women of upper classes, not only do they enjoy privileges accruing to them as members of their class—and therefore privileges *vis-a vis* other women—but they also share in the general oppression of women They have some resources atleast of education to fall back on The poor and illiterate are the majority of women in India and a feminism that does not seek to liberate them cannot work towards the liberation of all women This is different from saying that the gender issue should be subsumed under other issues Nor are we saying that *only* poor women should be studied The relative emphasis is justified

KISAN VIKAS PATRA

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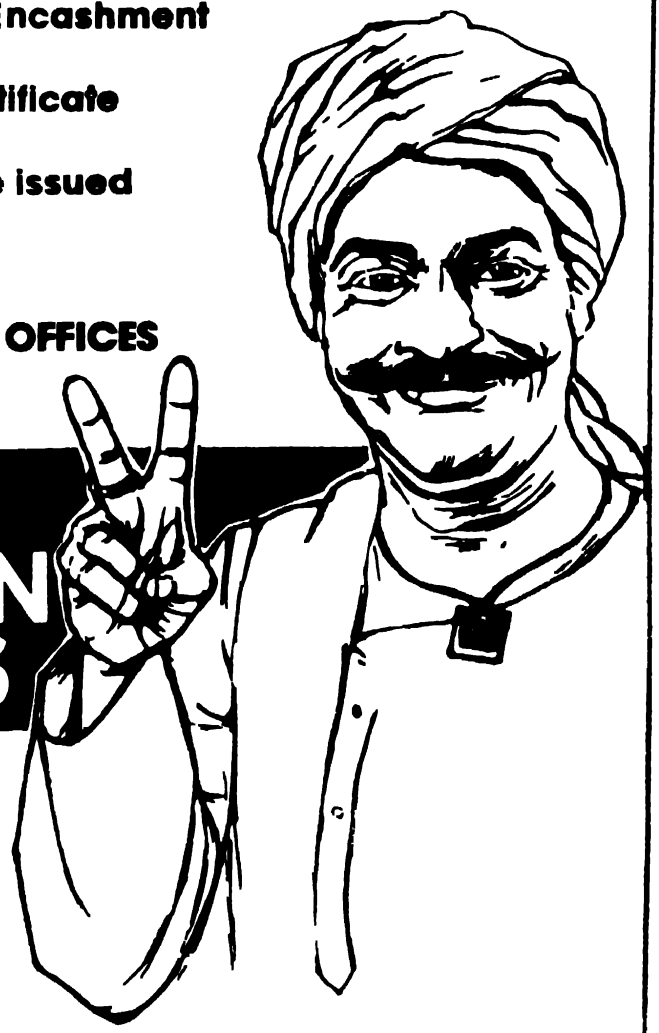

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FASHION TIMES

AN EXCITING ISSUE BY DCL POLYESTERS LTD

Worldwide trend of Polyester

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Polyester Filament Yarn – popularity and prospects

[illegible]

DCL's Prestigeous Project

The demand for polyester outstrips the supply [illegible] there are not many manufacturers of Polyester Filament Yarn in India. Now come DCL Polyester Limited (DCLP) a 15,000 tpa project near Nagpur promoted by Deccan Cement Limited and DCL Finance Limited successful dividend paying Companies with equity participation from ADB Manila, EMS Inventa AG Switzerland, [illegible] Kuwait and SICOM. A big project in a growing field [illegible] to create quality PFY including innovative speciality [illegible] Project Limited [illegible] organisation is extending [illegible] engineering service.

Only a few other manufacturers of Polyester Filament Yarn are in India [illegible] name but a few.

Name of the Company	Face value of equity share (Rs)	Market value as on 21.6.89 (Rs)
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[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

"Inventive" technology from "Inventa" – Switzerland

EMS Inventa AG Switzerland [illegible] responsible for [illegible] Polyester Filament [illegible] capacities through [illegible] EMS [illegible] technology incorporated [illegible] continuous polycondensation and high speed direct spinning process to produce quality yarn with flexibility to use either PTA or DMT but also invest Rs 188.75 lakhs in the equity share capital.

MS

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Weeksha Trust Publication | Rs 8.50 | Vol XXIV No 30 | July 29, 1989

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BOP PROBLEMS OF DEVELOPING COUNTRIES

FALLING RATE OF PROFIT IN INDIAN INDUSTRY?

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Education and Society

Two movements in human resource development occupy the centre stage today in most developing countries One the old movement for the still remote goal of universal literacy and the other a comparatively new movement for scientific modernisation of society The two movements are proceeding in their respective self reliant ways whereas in fact literacy and modernisation are conceptually interrelated and therefore their pursuit should be interdependent 1711

Can an endogenous system of transmission of knowledge and competence be evolved which critically questions and mobilises to action in the very process of transmitting accumulated human reflection on the socio economic context of people s relation with their environment? A study of the efforts of non party political groups in Thane district in Maharashtra to evolve educational programmes in the context of the democratic struggle and in tune with the felt needs of the adivasis PE 54

Communal differentiation as rooted in the realm of cultural ideas must be taken into account as an autonomous reality particularly in dealing with education The relation between educational development and communal politics in Bengal in the context of the Bengal Secondary Education Bill 1940 PE 81

Class and Consciousness

While it is important to study counter hegemonic protest movements and revolts it must be recognised that the dominant reality is one of the subaltern classes accepting the hegemony of the elite through such processes as deference to the elites and emulation of elite value An exploration into subaltern consciousness while under hegemony through the study of the popular [illegible] enjoyed by the late M G Ramachandran among the people of Tamil Nadu PE 62

In discussion of the involvement of social religious and occupational groups in communal riots it has been argued that the working class has been as much responsible for contributing to the dynamics of communal politics But a study of the 1893 communal riot in Bombay [illegible] that while strong communal [illegible] did exist among the [illegible] that did not [illegible] the [illegible] of [illegible] term communal [illegible] among them Nor [illegible] the most representative [illegible] activities PE 69

Debate on Narmada

If the central government really believes in democracy and in giving power to the people through panchayati raj must come out with a white paper on the Narmada Valley Project given wide publicity and have it debated openly 1687

Road to Tiananmen

For many years there have been clear lines of political conflict in China Two views of the forces leading up to the Tiananmen demonstration and its brutal suppression 1696 1697

Kashmir Policy

The present situation in Kashmir does not leave any room for doubt that the [illegible] of the Rajiv Gandhi Farooq Abdullah [illegible] and communal [illegible] the current situation [illegible] shown [illegible] the accord 1689

Workers Losing

[illegible] experienced [illegible] the rate of profit although they might have seen [illegible] The explanation for this steady [illegible] in the [illegible] and salaries [illegible] grounds [illegible] PE 95

India and Perestroika

India [illegible] 1717

Shaky Case

[illegible] underlying the [illegible] liberal trade regime [illegible] developed countries which has made a strong reappearance in recent years PE 91

The focus of the World Bank s *World Development Report 1989* is the need for more liberal and open financial systems in the developing countries How convincing is the World Bank s case? 1691

LETTERS TO EDITOR

Jews, Israel and Palestine

RINA NISSIM (June [illegible]) after acknowledging that the creation of the state of Israel has been at the root of the deportation and oppression of the Palestinians proceeds without [illegible] to argue that the formation of Israel is not very much more criticised than the creation of many other states. In our century however there is *no* other state created on land where the resident inhabitants were forced to flee those remaining behind reduced in their own homeland to a tolerated but essentially foreign element ruled under military law for 18 years their land seized their travel restricted etc. It is disingenuous to compare Palestinian refugees in the Arab world with Muslims who migrated to Pakistan. The Arab countries and the Palestinians did not *want* Palestine to be partitioned. Rather the partition was imposed by the Great Powers.

The three books I reviewed (April 22) dealt with the history of the birth of Israel and not the subsequent Palestinian diaspora. The question of violence inflicted on Palestinians by Jordan and Syria was therefore not relevant to the subject under review. I do not know how Nissim decided that it is well known that the Israeli Palestinians have done much better than those of the camps. Available facts tell a different story. For instance university enrolment of Palestinians in Israel was the lowest at 316 100 000 compared to 464 100 000 in the West Bank, 660 100 000 in Jordan, 11 100 000 in Saudi Arabia and 1904 100 000 in Syria. Also Palestinian men are more likely to occupy professional, technical and administrative positions in Saudi Arabia (40 per cent), Kuwait (22 per cent), Syria (11 per cent) or Jordan (10 per cent) than in Israel (8 per cent).

Yes a peace movement does exist in Israel. Courageous Israelis like Tehiya Langer (a dedicated lawyer survivor of the Holocaust and Israel Shahak chairperson Israeli League for Human and Civil Rights) to name two prominent individuals have toiled long and hard for Palestinian rights. Also Israeli groups like Women's Organisation for Women Political Prisoners and Yesh Gvul (There Is a Limit) are actively involved in resisting Israeli policies towards Palestinians.

India which contrary to Nissim's assertion recognised Israel in 1949 should endeavour to convince Israel and the United States that a two state solution in the region offers the best chance for peace. The Intifada has created conditions for a just and lasting settlement which must be pursued vigorously if the sorry history of the past 40 years is not to be repeated.

BISHU L DESAI

Illinois, USA

Carbide Quit India Week

At the National Convention on the Bhopal Settlement convened by our organisation in Bhopal on April 15-16, 1989, a number of resolutions were passed about the action programme to carry on the struggle against the collusive settlement between Union Carbide Corporation and the government of India. Representatives from various solidarity organisations from different parts of the country had jointly drawn up the plans for these activities and national representatives of opposition political parties had expressed their commitment to the programme.

Following up on the convention and as a part of the continuing struggle we now propose to observe the week from August 9 to 15 as Union Carbide Quit India week. It needs to be mentioned that the Quit India movement against the British imperialists was launched on August 9, 1942. The ever growing influence of foreign capital on the policies and priorities of the Indian government and its tragic consequences as illustrated in Bhopal make the movement of 1942 extremely relevant to the Indian people today. In addition to the outrageous settlement, the fact that even after perpetrating the greatest industrial genocide of the century Union Carbide continues with its business in this country bears testimony to the collusive nature of the Indian state.

Our demands for the protest week are:

(i) Union Carbide be prohibited from continuing with its business in India and all industries owned by the killer multinational be handed over to the workers who work in them.

(ii) Union Carbide be disallowed to market its products and the All-India Radio and Doordarshan should immediately stop advertising Union Carbide products, particularly Eveready batteries.

(iii) The Bhopal pesticide plant be replaced by a national memorial on the Bhopal Gas Disaster and industrial projects be set up there for providing alternative employment in accordance with the reduced working capacity of the gas affected people.

(iv) The Research and Development facility of Union Carbide at Bhopal which has always been functioning under a shadow of suspicion should cease its activities.

In Bhopal on August 9 we plan to march to the Research and Development centre to press our demand of closing it down. We will be organising meetings and demonstrations on other days of the week highlighting the sufferings caused by Union Carbide, the betrayal of the Indian government and the unjust settlement.

ABDUL JABBAR KHAN

Bhopal Gas Peedit Mahila Udyog Sangathan

Bhopal

SUBSCRIPTION RATES

Inland

[illegible]

Concessional Rates

[illegible]

Foreign

[illegible]

Air mail

[illegible]

Economic and Political Weekly

ECONOMIC AND POLITICAL WEEKLY

Finance Commission and the States

THE state finance ministers summoned to a meeting in Delhi by the Ninth Finance Commission made known their apprehensions that the commission's zero deficit target for 1994-95 was impractical and worse was also perhaps a ruse to deny to the states their due share of central revenues. While the chairman known not only for his penchant for hyperbole but also for the mental block he suffers from in regard to economic logic stuck to his guns that there could be no compromise on the zero deficit target the rest of the commission truncated as it is for the present, appeared to be much more flexible. In any case it was all but conceded that the states share of central revenues could not be permitted to go down.

However on whether the weight of tax devolution in total central transfers should be reduced and that of grants correspondingly raised the states were unable to get a clear commitment from the commission even though practically every state, rich as well as poor opposed any reduction in tax devolution. The commission's background note did not convince the states that the purpose of equity could not be adequately served through appropriate changes in the formula for distribution of the amount of tax devolution among the states. On the other hand the states memory is not as short as the commission seems to assume. Most states some exceptions like Maharashtra apart are still smarting under the impact of the commission's award for 1989-90 which used grants for largely arbitrary and inequitous purpose. How could this commission be taken at its word when it professed to use grants for purposes of equalisation? Or is it that the commission has its own ideas on what equalisation means? In its first report the commission had recommended grants totalling Rs 200 crore for states identified as backward in elementary school enrolment and even Haryana -a high income revenue surplus state—qualified for the grant.

There was also the related question of special category states, devolution to whom is mostly, though not altogether in the form of grants. In the commission's award for 1989-90 the share of these states in total transfers (tax devolution plus grants) was allowed to go up from 6.6 per cent under the Eighth Finance Commission's award to over 10 per cent. It has to be remembered in this context that these special category states—not including Assam—account for less than 2.5 per cent of the country's population. The major states poor as well as rich are naturally worried that their share of the kitty will go down as the transfers to special category states go up. And their fears are not totally without basis. The special category states have submitted a common memorandum to the commission asking for still larger transfers to them. Already in per capita terms devolutions to these states through Finance Commission transfers alone are three times as high as those to the major states. To meet the special category states clamour for still larger transfers to them there will have to be greater recourse to grants as compared to tax devolution. Thus the demand of the special category states is music to the commission's ears since it supports the commission's own objective of increasing the weightage of grants in total devolution from the centre to the states. But then the other states have real cause for worry.

Not that the other states would grudge larger transfers to the special category states. But why does it have to be at their expense? After all the states were created in special circumstances and in the national interest. Should not any excess transfers to them be considered a charge on central revenues? The Finance Commission owes a full explanation to the public since it seems to be in favour of considerably larger devolutions to the states.

Quite a good part of the commission's meeting with the state finance ministers was devoted it would appear to discussion of the sort of normative approach the commission proposes to adopt for assessment of the revenues and the expenditure needs of the centre and the states. There was virtual unanimity among the states in objecting to the commission's assumption that the centre's tax revenues would grow at the same rate as those of the states. If the centre has not performed well enough in fact it is not because the tax sources at its command do not have the potential but because it has been slack. The states on the other hand are being forced to scrape the bottom of their tax barrels. By making an assumption like this the centre was being let off lightly and the states forced to over extend themselves. Some states also raised questions regarding the commission's assessment of the centre's expenditure needs.

No less concerned were the states about the failure of the commission's methodology to take note of the special features of different states in the application of its normative yardsticks for assessment of the states revenue and expenditure to work out revenue gaps if any. Nor were the states happy with the norms proposed for public utilities and other public sector undertakings. The experience with norms set by earlier commissions has shown clearly the futility of such unrealistic targeting.

Whether or not the discussions with the states served at all to bring the Finance Commission down to earth and see the reality for what it is will have to await its final report to be revealed but the commission will not have the alibi that the states had not made their views clear.

POLITICS

Muscle-Flexing for Elections

A PREMONITION of the violence which will mark the coming general elections should be recognised from the preparation going on inside the Congress(I) camp. Notorious gangsters and hoodlums are not only being led along the war path to break up opposition meetings (as happened recently in the Delhi University when NSUI members formed a meeting addressed by E M S Namboodiripad and beat up SFI students) but are being catapulted to positions of leadership to prepare them to become candidates in the elections.

In Bihar two known dadas Kali Prasad Pandey and Nagina Rai have been recently admitted into the folds of the Congress(I). The former an Independent MP refused to resign from the Lok Sabha along with the opposition members and pledged his loyalty to Rajiv Gandhi – a gesture which earned him the reward of membership of the Congress(I) and will possibly get him a ticket in the coming poll. In order to maintain the balance in the caste-ridden politics of Bihar the Congress(I) high command has at the same time admitted Nagina Rai one of Pandey's rivals who belongs to a different caste. Gang warfare between the two had for years disrupted life in Gopalganj in western Bihar. Tensions are bound to mount on the eve of the elections as both with their respective goons will try to demonstrate their might in a bid to impress the high command with their power to terrorise the voters the only power that counts with the Congress(I) in winning elections.

In neighbouring Uttar Pradesh which has a crucial importance in the parliamentary elections having the largest chunk of seats among all states in the Lok Sabha and being the home state of most of the Congress prime ministers till now smugglers drug pedlars gangsters and history sheeters of various sorts are not only being patronised by the Congress(I) state and union ministers some among them have even wormed their way into the portals of the UP assembly. It is estimated that at least 18 Congress(I) MLAs are known to be directly involved in criminal activities. While one minister is named in police records for illegal cultivation of poppy another is known in police records as 'Black Cobra'. It is a common practice in UP to release criminals enjoying ministerial patronage on the eve of any election in order to use their services to terrorise the voters. During the last by election in Allahabad, the notorious history-sheeter Bhukkal Maharaj was let out from jail to campaign for Sunil Shastri against V P Singh. Many more are likely to be given amnesty with the approaching elections.

In opposition ruled states, the Congress(I) leaders and their followers are quite openly instigating violence. In West Bengal the irrepressible Ghani Khan Chowdhury has asked the Congress(I) ranks to pick up guns, sten guns, stones and lathis to wage a 'total revolution' against the CPI(M) led regime. In Tripura, not satisfied with ousting the Left Front government through dubious means the Congress(I) still continues bloody reprisals against the cadres of the left parties.

While one does not expect Gandhian non violence from the Congress(I), one feels sad when the opposition parties too get trapped in the race for acquiring muscle power and try to emulate the Congress(I). The nexus between opposition leaders and a section of the underworld in places like UP and Bihar is well known. The Janata Dal leaders are known to have a soft corner for a Dhanbad mafia don. In West Bengal an infamous gangster Hemen Mandal is being seen around in the company of a CPI(M) minister. In the fluid political situation prevailing on the eve of the elections mercenaries from the underworld are not only offering their skills to the highest bidder but are also taking care to choose their patrons with an eye on the fortunes of the candidates in the coming elections.

FINANCE COMMISSION

Credibility in Question

A Correspondent writes

THAT Charlie sitting as CAG has brought the single greatest indignity on the audit profession observed N K P Salve in parliament while leading his party's attack on the Comptroller and Auditor General's report on the Bofors deal.

Let us forget the occasion which prompted the above remark. Let us forget also that the remark was not objected to by the presiding officer of the Rajya Sabha. Let us concentrate on the person making the observation. He is no ordinary member of the Rajya Sabha. He is none other than the chairman of the Ninth Finance Commission, a body which derives its authority and mandate from the Constitution. And he has chosen to question the bona fides of a person holding another office which too derives its mandate and authority from the Constitution. In fact this latter office was considered so very important by the makers of the Constitution that a person once appointed to it must forswear all official positions on retirement, an obligation which is not imposed even on judges of the Supreme Court. Also, the CAG can be removed from office only by impeachment. Salve debases his own office by attempting to throw mud at the CAG and that too in a forum where the CAG cannot defend himself.

But the chairmanships of the Finance Commission is no ordinary office either. Not only does it derive its authority from the Constitution but also the function of the commission is such that its chairman and members are expected to bring to bear on their task a sense of utmost objectivity combined with fairness and impartiality. The requirement of impartiality gains added importance in view of the fact that the commission has to make recommendations on the sharing of revenues between the centre and the states and among the states in a situation with different political parties ruling at the centre and in some of the major states.

Doubts have been raised in these columns in the past about not only the competence of Salve to hold the office of chairman of the Finance Commission—his public statements soon after assuming office made one wonder if he really understood the job to which he had been appointed for he spoke more like a mofussil auditor—but also about his impartiality on the grounds that he was too active in Congress(I) politics and was clearly an aspirant for higher positions in the party. It was wrong to have a person preside over a quasi judicial constitutional body such as the Finance Commission and at the same time function as deputy leader of his party in the Rajya Sabha.

These apprehensions have been fully confirmed by Salve's latest performance in parliament. If in his enthusiasm to protect his political boss from the indictment in the CAG's report he can throw all decency to the winds and cast aspersions on the professional integrity of the person holding the CAG's office, how can Salve be depended upon to perform his task as chairman of the Finance Commission with impartiality?

Already the strongest criticism against the Ninth Finance Commission's First Report is that it is heavily biased against the non-Congress(I) states and favours some of the richer states, Maharashtra in particular. Will the commission be less biased when it submits its final report? This is a question which must now be worrying many—and very justifiably so

It would thus appear that if the commission's reputation has to be saved, it should be given a new chairman. Nothing in the Constitution prevents the president from replacing the chairman of the Finance Commission midstream. Otherwise the states may have to consider the option of approaching the president for the appointment of a new Finance Commission after the Salve commission has submitted its award.

PANCHAYATI RAJ

The Real Issue

THOUGH he never pretended to be a revolutionary and only at the tag end of his life toyed with the idea of joining a socialist party—he had rounds of discussion with Lohia and his emissaries—the late B R Ambedkar because of his close identification with the most downtrodden masses of the Indian society sometimes displayed a deeper insight into the socio-political reality than many radicals. Thank god he once remarked the Indian Constitution did not adopt the Indian village as the base of the constitutional pyramid of autonomous administrative units with their own judiciary legislature and executive. Obviously he was fully aware of the fact that given such authority real power in the countryside would be monopolised by the rural elite formed by the upper classes and castes. This question has assumed topicality because of the Panchayat Bill tabled by the union government in the last session of parliament.

Even if there be provisions for the reservation of some seats for the scheduled castes scheduled tribes and women in the proposed law real power is unlikely to devolve upon the impoverished and marginalised masses until and unless the grip of the landholding and affluent patriarchal bosses are loosened.

In their campaigns against Rajiv Gandhi's bill the opposition parties are mainly harping on implications of the bill for the state governments' range of powers. That the new law would squeeze the extent of the state's autonomy is not untrue. But is this argument very likely to move the rural masses to oppose the Congress(I) government's proposals? Hardly. The powers in the hands of the state governments have been seen by the rural poor to be deployed in most cases against the interests of the landless the dalits and the poor tribals.

If the opposition wants to secure the support of the rural masses it has to carry Ambedkar's message on the panchayats to the countryside and demand a thorough redistribution of land along with the reservation of seats. Indeed Rajiv Gandhi's new panchayat bill has brought in a new opportunity for opening up the question of agrarian democratisation in a big way. But the opposition in most states being what it is—a conglomeration of vested interests with bases in the countryside—will not take up the issue of rural reconstruction on a radical basis unless compelled by irresistible circumstances. Maybe the left in the 'left and democratic' combination will take the initiative in this field.

THE POLICE

Disappearance after Arrest

THE state organises and sponsors terrorism in order to contain political dissent and polices the people ostensibly in the national interest. The ovine majority in parliament arms the executive with extraordinary powers which are excluded from the ambit of judicial vigilance. Detenus mysteriously disappear from police custody and the executive on the few occasions of judicial reprimand is guilty of contempt of court. The judiciary too periodically displays contempt for the law and to crown it all the law itself in some of its provisions expresses contempt for the people. It is this that sets apart the truth about our fragile democracy from the masquerade of formal institutional trappings and lofty constitutional verbiage.

The recent report of Amnesty International (AI) which describes nine instances of custodial disappearances (two of these were subsequently resolved) is a further revelation of the systematic erosion of democratic rights in the country. On April 6 1987 four men were lifted from different villages in Uttar Pradesh by special personnel of South Delhi's Lajpat Nagar police station and have not been seen since. Police in response to persistent enquiries by relatives denied having ever arrested them and the Delhi high court accepted the statement *prima facie* without ensuring that relatives of the victims were summoned to provide evidence. A similar denial was issued by the Punjab police regarding three men arrested in January 1988 from various parts of the state. In the case of the president of the Youth Akali Dal who surrendered to the director general of Punjab police in October 1988 following harassment of his relatives by the police the customary denial was initially issued before he was finally released in November 1988 in the face of mounting public pressure. In Bangalore the secretary of the Karnataka state unit of the Progressive Youth Centre was abducted by plain clothesmen of Karnataka and the Tamil Nadu police in August 1988. He was produced before a magistrate in November more than two months after the arrest and far in excess of the 24 hours stipulated by law. He was finally released in December. In this particular instance the Karnataka high court ruling on a *habeas corpus* petition filed on his behalf dismissed it on the technical ground of failure to name the police officers involved. Of course it goes without saying that torture in its crudest forms was practised on all the victims.

If precedents are anything to go by a contemptuous dismissal of the AI report by the hidebound powers that be will not be unsurprising. It will be recalled that minister P Chidambaram reacting to an earlier report by AI had libelled it 'motivated' and asserted that the government was not answerable to anybody except parliament. Consider the stacked parliament in which the majority nods its supine assent to all government moves and the implications become clear enough. There is not even a pretence of being democratic as the state rides roughshod over even ordinary political freedoms. All this we are informed is not only legitimate but also imperative in the larger interests of the country.

Threat to national integrity has over time become a protean concept that accommodates a wide range of phenomena including the ubiquitous 'hand' of special foreign hand political dissent against the state or even the party in power and incredibly enough even occasional factory strikes for wage increases. Allusions to the foreign hand have been increasing in frequency in an attempt to build up a kind of party based nationalism. The official branding of slum dwellers as adjuncts of the foreign hand or the ever the American hand of conspiracy fits into the pattern. The idea is that an identity between the Congress and the nation. It follows that any criticism of the former can be represented as a threat to the latter and permit the legitimation of state perpetrated crime. It is indeed tragic that in the world's largest democracy the right to life and the right to constitutional redress are in particular instances no longer justiciable. What is worse still is that apocryphal threats to the nation's sovereignty should legitimate this tragedy.

COTTON

Avoiding a Crisis of Plenty

ENCOURAGED [illegible] in the [illegible] 1989-90 [illegible] [illegible] [illegible] [illegible] and [illegible] holders [illegible] ment [illegible] and its final [illegible] expected to have [illegible] tion in quite [illegible] been completed [illegible] completion [illegible] between [illegible] cent and 10 per cent. The [illegible] of crop information being what it is, more [illegible] for the [illegible] estimate [illegible] under cotton. Perhaps all one could say is that the acreage under cotton may well be [illegible] larger than in 1988-89. But that may not be [illegible] much [illegible] for cotton production [illegible] on the [illegible] the yield which in turn has depended essentially on the pattern of rainfall during the season and the damage caused by pests [illegible]

For the present [illegible] prospects can be reckoned as very reassuring. Weather conditions in all the major cotton growing areas so far have been good to ideal. If climatic conditions remain favourable during the rest of the season and there is also no damage by pests, one could hopefully look forward to a record cotton crop in 1989-90. While it is altogether premature to make any meaningful forecast about the crop at this stage, the government will do well to carry out some exercises with varying assumptions to evolve various policy options for efficient management of the emerging situation.

It would be unfortunate if the anticipated increase in production were to be allowed to precipitate a crisis of plenty, pushing down prices to levels which have an adverse effect on farmers' intentions to cultivate cotton. One can plausibly argue that such a situation is unlikely to arise since the Cotton Corporation of India is there to undertake necessary price support operations and the growers have little to complain about the revised support prices. But instances abound when cotton growers have had to sell their produce well below the support prices in a situation of over-abundant supply due to serious deficiencies in the marketing infrastructure.

Talking to a cross section of knowledgeable persons in the cotton trade and textile industry, the impression one gathers is that the 1989-90 crop will have to be really a bumper one, over 118 lakh bales, to cause any major landslide in prices, thereby imposing a serious strain on CCI's organisational capabilities to [illegible] out price support operation on the required scale. It had handled 12.82 lakh bales under the price support operations in 1985-86.

The view is widely shared that cotton prices are unlikely to decline to support level if the crop is under 118 lakh bales. Cotton prices have been displaying a firm tendency for the past few weeks, reflecting mainly shortage of quality cotton at the fag end of the season which has just one more month to go. The ruling prices of cotton, while lower than a year ago, are substantially above the revised support prices for 1989-90, with medium and long staple varieties quoted 35-45 per cent higher and extra long staple cotton about 88-90 per cent higher.

Mill consumption of cotton is running at a record high level, thanks to the increase in the cotton textile industry, especially the spinning sector, is having a pretty good time. Both yarn and cloth are fetching high prices on good domestic and overseas demand. In view of improved agricultural prospects in the wake of another good monsoon, domestic offtake of yarn and cloth can be expected to be maintained at a high level. As for export demand, the international environment continues to be favourable.

The more recent reduction in the minimum export price (MEP) for extra long staple cotton from $ 4 to $ 2.8 a kg is a belated recognition by the textiles ministry of its earlier blunder which has resulted in substantial loss of valuable foreign exchange. Unquestionably the failure to fully utilise the export quota of one lakh bales each of Bengal Deshi and extra long staple cotton despite extraordinarily favourable conditions in the international market is attributable entirely to undue delay in the announcement of MEPs which were fixed arbitrarily in complete disregard of the prices prevailing in the highly competitive overseas markets.

The revised MEP is certainly realistic and it has enabled negotiation of some fresh business. But since the announcement has come too late in the season when the overseas buyers have covered almost all their immediate requirements and are inclined to make fresh purchases only when new crop supplies become available, prospects of fresh large business are rated low. There seems little chance of utilising even half of the export quota of extra long staple cotton before the end of the season. All this underlines the imperative need to evolve a dynamic export policy as this may well have a crucial role to play in bringing about a better balance in the overall supply-demand equation as also in rectifying the varietal imbalance that has become quite pronounced over the years.

With cotton production having got more or less stabilised around the 100 lakh bales mark which can take adequate care of domestic needs, the government should seriously consider earmarking suitable areas for production of cotton only for export and organise the supply of quality seed as also other inputs. Production of quality cotton of international standards is of utmost importance for successful exports on an enduring basis.

New Delhi's reported decision allowing the Maharashtra government to go ahead with its cotton monopoly procurement scheme in its present form for another year suggests that the government wants to have a closer look at the various points made out by the Hate Committee in its report on the monopoly scheme before granting extension for a much longer period.

While the monopoly procurement scheme has always come in for considerable criticism on various counts, much of the criticism betrays lack of proper perception of the basic objective of the scheme, securing maximum prices for the cotton growers in the state. One does not expect the private trade to take kindly to a scheme which seeks to restrict the scope of its activity. Nor can the textile industry be expected to view with favour a scheme which is designed to secure for the farmer a better price for cotton which constitutes its major input.

There have been occasions when cotton has been smuggled out of Maharashtra and smuggled into the state in search of higher prices. But this is no reflection on the monopoly scheme nor has it anything to do with the quality of management. It is the unrealistic guaranteed prices which are to blame for this phenomenon. Nor should the scheme be judged, as many are wont to do, by the losses or profits it has made. For that depends on the difference between the guaranteed prices fixed by the government—central or state—and the ruling prices of cotton at which the sales are effected. The Federation operating the scheme has little control over the ruling prices which are governed by the overall

supply and demand equation for cotton

Despite its various shortcomings, the monopoly scheme should be deemed to have served a useful purpose if it has enabled the cotton grower to realise a better price for his produce than he would have done entirely on his own with all the financial constraints and deficiencies in the marketing infrastructure under which he operates. A scheme which seeks to eliminate intermediaries and offer the facility to hold cotton on behalf of the grower over a longer period of time in the hope of realising better prices has much to commend it. That the implementation of the monopoly procurement scheme leaves much to be desired is another matter. Even the CCI had to be salvaged from financial ruin by converting its huge accumulated losses into a government loan. Needless to add, only the state government can operate the monopoly procurement scheme because its implications extend well beyond purely commercial operations.

DIAMOND EXPORTS

Net Foreign Exchange Loss

M D Dewani writes

INDIA's diamond export business has gone topsy turvy and has led to a net loss of foreign exchange earning in the first quarter of 1989-90 instead of any value addition whatsoever. The authorities concerned seem to be unconcerned about this alarming situation, as is evident from the fact that no concrete remedial measures have yet been taken by them to stem this rot.

Though the trade announced a few days ago that diamond exports during the April-June 1989 quarter had touched a new high of Rs 1,091 crore, compared to Rs 811 crore during the same period last year, the announcement concealed the other side of the picture. According to the provisional export-import statistics available now, India's diamond exports, no doubt, amounted to Rs 1,100 crore in the first quarter of 1989-90, but they were actually less than imports amounting to Rs 1,142 crore, with the result that the country has suffered a net foreign exchange loss of Rs 42 crore in the period, even without taking into account the foreign exchange expenditure incurred by the trade on foreign travel, etc. It might be interesting to note that in the corresponding period of the previous year there was a net foreign exchange earning of about Rs 92 crore.

Informed sources do not rule out the possibility of the excess imports finding their way into the domestic market or being surreptitiously dispatched abroad in view of the difference between the official and unofficial rates of exchange. Diversion of diamonds to the internal market now continues unrestrained following the removal of the condition which was intended to prevent it. Import replenishment in the case of bigger stones, where value addition is very poor, is excessive. The sharp drop in net realisation also indicates the possibility of serious manipulations. The system of issuing import licences prior to foreign exchange realisation is also believed to have led to serious abuse.

Statistics also show that diamond exports from the country slumped to Rs 340 crore in June 1989 from Rs 408 crore in the previous month. Among several reasons for the debacle, the most important one is the blow dealt by De Beers to the Indian industry by imposing a stiff and discriminatory hike in prices of rough diamonds towards the end of March. While the average price increase announced by it was 15.5 per cent, that in the case of certain varieties purchased particularly by the Indian industry ranged as high as 20 to 40 per cent. Foreign buyers are naturally reluctant to buy the polished product at higher prices, and export business has been adversely affected. It is understandable that the directorate of De Beers subsidiaries should be reluctant to complain about such discrimination, but it remains a mystery why the authorities concerned should subscribe to the theory that the cartel can do no wrong and should bow such practices lying down.

De Beers is also guilty of helping in the diversion of considerable amount of foreign exchange to some other countries by giving to them some additional supply of certain varieties required by the Indian industry and by indirectly forcing the Indian industry to purchase these from them by paying to them their margins, etc. According to some estimates, excess foreign exchange to the tune of Rs 100-150 crore was thus diverted last year from India to other countries. It is not known why the authorities are indifferent to this game which hurts the exchequer and pushes up the cost to the Indian industry.

All this apart, the recent fluctuations in the value of the dollar in relation to some other currencies, some bankruptcies in the US and the unsettled business conditions in Hong Kong have also contributed to the setback in exports. However, the situation for the Indian industry would not have been as bad as one finds it to be at present had the authorities prevailed upon De Beers to desist from such blatant discrimination against the Indian industry.

TWENTY YEARS AGO

EPW August 2, 1969

There can be little doubt about the significance of the political developments of last month, beginning with the prime minister's note on economic policy to the Bangalore session of the AICC and culminating with Morarji Desai's exit from the government and the nationalisation of the major banks. But some of the conclusions that are being drawn about what they portend for the future course of national politics as well as politics within the Congress Party need to be examined. It is being asserted that economic policy or ideology has been at last introduced as a major element into the conflict between Indira Gandhi and her opponents in Congress and that the long awaited polarisation in the party has begun which must inevitably extend to the larger sphere of national politics. Proof of this is sought in the fact that in the last few weeks the prime minister has visibly drawn on the support of left-leftist elements outside Congress. The right CPI has always set great store by such a consummation, but even parties like CPI(M) and SSP which earlier had little use for the so-called Congress left appear to have accepted the political wisdom of backing Indira Gandhi. Both the left and the right have bought the polarisation thesis. While the left has assumed that the prime minister will—in fact, that she has no choice but to steadily unfold a programme of radical action, the right has proclaimed that her continuance in power will push the country towards socialism, communism, vassalage to the Soviet Union and much worse. The fact that the power that the Syndicate wields at the centre is not justified by the influence or loyalty that its members individually command at lower levels of the party organisation immediately opens up for Indira Gandhi the possibility of approaching the state organisation above the heads of these leaders. If this is the political strategy that she is going to pursue—being prime minister and in addition being now in direct control of the central purse strings, places her in a strong position to do so. Certain implications follow. First, she is unlikely to make any move that will further antagonise the party organisation such as, for instance, clipping the wings of a relatively prominent organisation man like Chavan. A cabinet reshuffle may follow in due course, but this is likely to have as its objective the substitution of some political light weights with more solid cargo. Second, with the possible exception of abolition of privy purses (if one can call that a radical step), the expected leftist bill of fare may not materialise. The courtship with leftists outside Congress, it follows, will also be cut short abruptly and rather soon.

STATISTICS

Index Numbers of Wholesale Prices (1981-82 = 100)	Weight	Latest Week (9.7.89)	Variation (per cent) Over Last Month	Over Last Year	Over March 25 1989	In 88-89	In 87-88	In 86-87	In 85-86
All Commodities	100.0	162.2	0.7	5.1	NA	6.3	5.3	5.7	7.1
Primary Articles	NA	162.2	1.1	0.5	NA	4.8	5.2	2.0	4.6
Food Articles	NA	183.4	2.1	2.1	NA	9.1	6.6	6.8	6.4
Non-food Articles	NA	156.2	0.5	5.4	NA	6.7	6.4	10.2	-2.3
Fuel, Power, Light and Lubricants	NA	155.9	0.4	3.9	NA	5.2	6.8	11.9	2.6
Manufactured Product	NA	163.4	0.6	8.7	NA	7.9	4.9	7.2	6.0

Cost of Living Index	Base	Latest Month	Variation (per cent) Over Last Month	Over Last Year	Over March 1988	In 87-88	In 86-87	In 85-86	In 84-85
For Industrial Worker	1960 = 100	818[3]	0.6	8.6	0.6	9.1	8.8	6.5	5.4
For Urban Non-Manual Employees	1984-85 = 100	138[1]	0.7	7.0	7.0	9.6	7.9	9.[illegible]	8.1
For Agricultural Labourer	July 60 to June 61 = 100	739[1]	0.3	12.5	12.3	9.8	4.8	4.8	0.2

Money and Banking		Latest Week (19.5.89)	Variation (per cent in brackets) Over Last Month	Over Last Year	Over March 24 1989	In 88-89	In 87-88	In 86-87	In 85-86
Money Supply (M3)		1,98,344	2,919	30,351	7,823	27,225	22,027	22,295	14,423
			(1.5)	(18.1)	(4.1)	(16.7)	(15.7)	(18.8)	(13.9)
Net Bank Credit to Government Sector	Rs crore	1,03,061	2,999	13,630	6,194	12,735	12,811	12,776	6,555
Bank Credit to Commercial Sector	Rs crore	1,28,[illegible]25	664	22,016	3,590	18,752	12,389	11,294	10,963
Bank Credit to Agricultural Banking Sector	Rs crore	5,30	697	181	691	637	673	1,314	13
Deposits with Commercial Bank	Rs crore	1,43,516	862	23,338	4,086	21,385	15,321	17,320	13,160
			(0.7)	(19.4)	(2.9)	(18.1)	(14.9)	(20.3)	(18.2)
Foreign Exchange Assets**	Rs crore	5,500	210	1,316	318	830	508	604	+197

Index Numbers of Industrial Production (1980-81 = 100)	Weight	Latest Month (Dec 1988)	Averages for* 1988-89	1987-88	Variation (per cent) In 1986-87	In 1985-86	In 1984-85	In 1983-84
General Index	100.0	193.5	176.2	161.0	8.9	8.7	5.6	6.[illegible]
Basic Industries	39.4				9.4	6.8	11.1	6.0
Capital Goods Industries	10.4				18.2	10.6	3.0	11.7
Intermediate Goods Industries	20.5				4.5	5.[illegible]	9.[illegible]	9.8
Consumer Goods Industries	23.6				5.3	12.5	2.[illegible]	1.6
Durable Goods	7.6				19.5	18.7	21.6	16.1
Non-Durable Goods	21.0				2.6	11.5	5.1	0.4

Note: The index numbers of industrial production by use-based classification are not available beyond March 1987.

Foreign Trade	Unit	Latest Month (Feb 89)	Cumulative for* 1988-89	1987-88	1987-88	1986-87	1985-86	1984-85	1983-84
Exports	Rs crore	1,883	17,076	14,033	15,719	12,569	10,895	11,744	9,771
					(25.1)	(15.4)	(-7.2)	(20.2)	(11.0)
Imports	Rs crore	2,303	25,366	20,256	22,343	20,201	19,658	17,134	15,831
					(10.6)	(2.8)	(14.7)	(8.2)	(10.5)
Balance of Trade	Rs crore	-420	-7,490	-6,223	-6,624	-7,632	-8,763	-5,390	-6,060

Employment Exchange Statistics	Unit	Latest Month (Jan 89)	Cumulative for* 1989	1988	1988	1987	1986	1985	1984
Number of Applicants on Live Register (as at end of period)	Thousand	30,195	30,195	30,019	30,050	30,247	30,131	26,270	24,861
					(-0.7)	(0.4)	(0.4)	(6.4)	(7.9)
Number of Registrations	Thousand	514	514	69	6,028	5,465	5,473	5,524	6,220
					(10.3)	(-0.2)	(-6.0)	(-6.4)	(-8.0)
Number of Vacancies Notified	Thousand	40	40	45	542	621	616	683	707
					(-12.7)	(0.8)	(-10.0)	(-3.4)	(-15.5)
Number of Placements	Thousand	26	26	35	340	360	356	388	407
					(-5.6)	(1.1)	(-8.2)	(-4.7)	(-16.5)

Income	Unit	1987-88[4]	1986-87	1985-86	1984-85	1983-84	1982-83	1981-82	1980-81
Gross Domestic Product (current prices)	Rs crore	2,93,306	2,60,680	2,33,305	2,06,732	1,86,406	1,58,851	1,42,876	1,22,226
Gross Domestic Product (1980-81 prices)	Rs crore	1,70,363	1,64,441	1,56,083	1,48,955	1,44,391	1,33,830	1,29,776	1,22,226
Per Capita Income (1980-81 prices)	Rupees	1,918	1,892	1,836	1,791	1,781	1,687	1,686	1,627

* For current year upto latest month for which data are available and for corresponding period of last year

** Excluding gold and SDRs + Upto latest month for which data are available

++ Provisional data @ Quick estimates

Notes (1) Superscript numeral denotes month to which figure relates e.g. superscript[1] indicates that the figure is for January and so on

(2) Figures in brackets denote percentage variation over previous period

BATA INDIA

Deterioration of Margins

BATA INDIA has suffered a sharp set back in its working results for 1988 due to the lock out in Batanagar factory and picketing of company's shops in eastern India Although net sales turned out to be a shade higher at Rs 255 crore against Rs 254 crore in the previous year gross profit slumped to Rs 4 81 crore from Rs 8 82 crore, showing severe deterioration of margins Net profit dropped from Rs 3 87 crore to Rs 1 41 crore Dividend has been reduced from 15 per cent to 10 per cent which is covered 1 88 times by earnings as against 3 47 times previously

There were a series of industrial relations upheavals at the Batanagar factory with frequent stoppages disruption of work go slow tactics etc culminating in a lock out at the unit The factory remained closed for a period of four months during July November 1988 before a satisfactory settlement was achieved A long term settlement has been achieved with the Union which provides *inter alia* for acceptance of technological changes in the manufacturing processes With this settlement the overall industrial relations climate is expected to improve making the Batanagar unit more manageable and viable and thereby contributing to the overall prosperity of the company The directors feel that decline in profit in 1988 may be considered a small price to pay for achieving a satisfactory settlement which will have long term advantages for the company s growth and prosperity Commercial production at the new factory in Peenya Industrial Area near Bangalore commenced during the year

An agreement has been arrived at with Adidas of West Germany for manufacture and marketing of sports and special application footwear sports goods and sportswear in India and the management is hopeful of launching the Adidas product line during the winter of 1989 The company launched the marketing of North Star clothings licensed by Murjani International of New York USA and sourced through Inmark Brands These have been well received by the public and sales have been satisfactory As a complementary product the company has started to market Ambassador shirts through its selected retail outlets

Capital expenditure during the year amounted to Rs 3 7 crore as against Rs 3 26 crore in the previous year The expenditure was mainly on the modernisation of the company s retail outlets and on the installation and commissioning of a modern effluent treatment plant at the Mokamehghat tannery The company's exports during the year were Rs 10 26 crore Of this own manufactured products accounted for Rs 7 53 crore and the balance represents exports of third party merchandise The company had to restrict the export orders because of the Batanagar lock out A new R and D unit has been set up at Bangalore to assist the newly established Bata plant and the company s associates in the small scale sector in the Southern region

SPECIAL STEELS

Good Results

SPECIAL STEELS has fared so well during the 15 month period ended March 31 last that the board of directors has recommended issue of bonus shares on a one for two basis besides payment of a dividend of 25 per cent against 15 per cent paid last year On a turnover of Rs 203 crore against Rs 118 crore in the previous 12 months the company has earned a net profit of Rs 24 32 crore against Rs 12 69 crore The figures show an increase in profit margins After higher necessary provisions net profit is substantially better at Rs 14 96 crore compared to Rs 9 [illegible] crore of 19

All the plants of the company continued to operate at more than 100 per cent of the rated capacity Production records were achieved at Borivli and bead wire plant Production of the mini steel plant however was lower than the previous year on account of power shortage resulting from breakdown in MSEB s distribution system to Tarapur which curtailed power supply for a period of 4 months as well as due to shortfall in availability of scrap There was also disruption in operations of the plant in March 1989 on account of implementation of the modernisation programme Shortfall in output of billets resulted in shortfall at the wire rod mill Wire rod mill s production was also affected by industrial relation problem The increase in turnover could be achieved on account of higher output improvement in the product mix and better sales realisation The increase in profits has been achieved after absorbing sharp increases in the cost of indigenous as well as imported scrap, imported wire rods salaries and wages of employees resulting from the new wage settlements and dearness allowance

The company completed the first phase of the scheme of modernisation of the mini steel plant including introduction of water cooled panels and modern pollution

The Week s Companies *(Rs Lakh)*

		Bata India		Special		Mangalam Cement	
		Latest Year 31 12 88	Last Year 31 12 87	Latest Year 31 3 89	Last Year 31 3 88	Latest Year 31 3 89	Last Year 31 3 88
Paid up Capital		1050	1050	787	27	731	31
Reserves		1753	1717	2130	1068	3403	1033
Borrowings		4307	4172	3562	3300	398	675
of which Term Borrowings		513	510	1358	433	209	436
Gross fixed assets		4410	4054	5459	658	376	287
Net fixed assets		1713	1540	2835	671	374	158
Investments		1	1	78		88	
Current liabilities		4111	4054	3615	1196	628	338
Current assets		9506	9401	7239	41	1463	1050
Stocks		6392	6403	389	13	410	383
Book debts		726	977	2174	1153	7	238
Net sales		25520	25363	20295	1153	3810	310
Other income		37	27	53	53	135	49
Raw material costs		6815	8636	7293	1382	414	40
Wages		5185	5633	2114	1405	205	138
Interest		790	675	473	376	56	0
Gross profit (+) loss (−)		481	88	2422	1169	678	359
Depreciation provision		195	180	461	343	258	157
Tax Provision		145	315	465	141	105	30
Net profit (+) loss(−)		141	387	1496	725	315	110
Investment allowance reserve					300	4	
Transfer to reserves		36	230	1298	368	148	61
Dividend							
Amount	P			8	13	3	2
	E	105	157	190	114	160	107
Rate (per cent)	P		–	11	11	11	11
	E	10	15	25	15	22 50	15
Cover (times)		1 34	2 47	7 83	6 86	1 95	1 59
Ratios (per cent)							
Gross profit/sales		1 88	3 47	11 93	10 71	17 79	16 76
Net profit/capital employed		5 03	13 98	51 28	41 95	15 88	9 29
Inventories/sales		25 04	25 24	19 19	18 34	12 33	20 82
Wages/sales		20 31	22 18	10 41	11 02	5 36	5 95

' 15 months

control equipment Work relating to installation of ladle furnace and high power transformer is expected to be completed in August 1989 The modernisation programme will result not only in higher output but also [illegible] improvement in [illegible] [illegible] drawing machine [illegible] wire plant [illegible] [illegible] furnace [illegible] was set up [illegible] to improve [illegible] and increase [illegible] constructed The [illegible] letter of intent [illegible] company to enhance [illegible] mill from 60 000 tonne [illegible] to 96 000 tonne [illegible] into an industry [illegible] government has also [illegible] for [illegible] of 2 000 tonne [illegible] resulting from modernisation [illegible] steel plant on the [illegible] After detailed study of [illegible] it has been decided [illegible] government [illegible] mill with [illegible] 100 000 tonnes of [illegible] trip and heat [illegible] to the requirement of [illegible] which are present import [illegible] company has recently submitted [illegible] for [illegible] industry [illegible] the provisions of [illegible]

[illegible]

Higher Dividend

[illegible] production [illegible] month period [illegible] 1989 Production of cement increased from [illegible] tonnes in 198[illegible] to [illegible] 260 tonnes in 1988-89 [illegible] [illegible] 2 [illegible] percent [illegible] to Rs [illegible] 10 crore against Rs [illegible] 20 [illegible] and gross profit [illegible] Rs [illegible] crore against Rs 3 86 crore [illegible] profit margins Depreciation [illegible] provisions net profit [illegible] Rs [illegible] crore from Rs [illegible] [illegible] stepped up dividend [illegible] per cent to [illegible] per cent which [illegible] 198 times [illegible] 9 times previously

The [illegible] point out that availability of coal of required quantity and desired quality continues to be a severe restraint The [illegible] days during 198[illegible]-89 After persistent efforts by the industry the government [illegible] an increase of Rs 47 per tonne in the retention price of levy cement effective from September 7 1988 This however was inadequate to offset the increase in the cost of production

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Three Research Assistants with a degree in any branch of social science with a year s experience Total minimum emoluments (approximate) would be Rs 1500 in the scale of 1200 30 1560 EB 40 2040

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A Plea for Open Government

Case of Narmada Project

Arun Ghosh

If the present leadership of the country really believes in democracy, in giving power to the people through panchayati raj if the Planning Commission is sincere about planning for the country's development and not in promoting the sectional interests of a few technicians and contractors, they ought to come out with a white paper on the Narmada Valley Project give it wide publicity and have it debated openly

Of late the science of government appears to be increasingly oriented to secrecy in regard to the functioning of government and efficient public relations (or PR for short) seems to have been perfected to an art to replace open debate and to elicit support for government policies Thus we find that the government budget today reveals less and less even as government expenditure gobbles up an increasing share of the national product The source of routine rudimentary data are denied to common citizens not overtly but through non availability and inaccessibility Most official data are "for official use only" and at times even elementary facts are held back under the Official Secrets Act

What is extraordinary about this situation is that the shroud of secrecy extends over even matters concerning vital planning decisions on projects and programmes that are estimated to cost billions of rupees and affect the lives and well being of millions of Indian citizens The gigantic Narmada Valley Project encompassing the Sardar Sarovar Project (SSP) and the Narmada Sagar Project (NSP) falls into this category, the entire project has apparently been cleared by the Planning Commission—though this minor details is never publicised—without the Indian citizenry being informed of either the costs or benefits of this mega project

There are, of course, many respectable experts who have lent support to this mega project B D Dhawan one of the most respected experts on irrigation in India has extended *conditional support* to the project (vide *Economic Times*, December 5 1988, and *EPW*, May 20) suggesting that perhaps scaling down the height of the dam (at the SSP) by a mere 35 feet could reduce the area of the submerged land to one-fifth, thereby significantly reducing the number of oustees He has also suggested that the Planning Commission should make public its cost-benefit calculations

But then the government seems to have become increasingly insensitive to public criticism It is of course entirely possible that the project is being pushed through by a group of technocrats bureaucrats and politicians who have a vested interest in getting large projects sanctioned [illegible] large contract always offer the possibility of a sizable cut from the contractor But then *that* would apply to a small coterie and it is by no means certain that the government as a whole (including the planners and their advisers) has been so tight lipped on this entire project Can *anyone* claim with justification that the estimates pertaining to this project should be kept back from the public under the Official Secrets Act? Or that the doubts of the department of environment never officially made known and yet filtering through somehow should be suppressed?

Somehow the approach and attitude of officialdom on this issue pass comprehension Indeed the very credibility of the government becomes open to question especially when one considers that as far back as September last year over 500 distinguished citizens from all walks of life had submitted a memorandum to the prime minister voicing their concern and opposition to this project If these distinguished and highly respected each in his or her walk of life—citizens have been wrong is it not the duty of the government to publicise the correct facts?

This approach is all the more incomprehensible when one considers all the recent pronouncements of the prime minister in regard to panchayati raj in regard to giving power to the people at the grassroots level to determine their own future How are the approximately 2 5 lakh oustees to be rehabilitated? Are they being given an earthly chance to determine where they should live, and how? Even assuming that the cost benefit ratio of the project is highly favourable, can the authorities indicate how precisely the oustees are to be resettled, whether the plans of their resettlement are realistic, whether those already ousted have been rehabilitated? For the only information available to the public in the context of the veil of secrecy surrounding this project is that the people already displaced from the dam site have so far been totally forgotten apparently they being not among those whose lands would be submerged do not even qualify for settlement by the Narmada Valley Project authorities

As stated earlier there are no official data to go by one has to piece together the costs from diverse sources Baba Amte has recently cited some figures (vide *Indian Express* July 9) which appear to have the stamp of authority and accuracy, having been taken from a report prepared by C C Patel and Associates Ltd (CCPAL) (Incidentally the name sounds familiar, one C C Patel was once the chairman of the Central Water Commission and later irrigation secretary to the government of India One does not know whether it is the same C C Patel who has floated CCPAL is a consultancy organisation and if so whether there is some nexus between this fact and the speed with which approvals are being accorded by the union government to the project I would like to add that there is no imputation of any ulterior motive herein it is just that the orientation the thinking the vision of an irrigation engineer is generally in favour of large projects involving the storage of surface water which would otherwise flow down to the sea such an expert is not able to encompass the *indirect costs* of storage of such water)

But let us examine some of the estimates of CCPAL quoted by Baba Amte (And I repeat these are figures as given by Baba Amte in the *Indian Express* cited earlier they are cited here only because the government does not see the need to release any figures on the project for public consumption) The SSP is likely to cost Rs 11 154 crore one does not know at which reference year prices, the CCPAL report is dated July 1988, so one presumes that the estimates would be at 1987 88 prices This does not include the cost of the NSP nor of the many smaller schemes necessary for making full use of the reservoir potential For financing the SSP the government of Gujarat would have to provide Rs 8 500 crore between 1989 90 and 1997-98 i e, in nine years—apparently, the governments of Madhya Pradesh, Maharashtra and Rajasthan are to fork out the rest—and of this colossal sum, international aid (by the World Bank and Japan) would provide only some Rs 960 crore

Baba Amte has given details of the extent of irrigation the project is likely to provide to the drought stricken areas of Gujarat. Apparently in Saurashtra more than 80 per cent of the talukas are not likely to get any water from the SSP. In Kutch 5 out of 9 talukas will not get any water, about two thirds of the 62 talukas getting water from the SSP are neither drought prone nor arid, and two thirds of the 52 drought prone or arid talukas of Gujarat would get little or no water from the project. The estimate of the union department of environment in regard to the environmental cost of loss of forests is placed at Rs 30,293 crore for the NSP and Rs 8,190 crore for the SSP.

This piece [illegible] to be a broadside at the Narmada Valley Project. I do not have [illegible] other than those [illegible] Baba Amte and he has argued [illegible] proceeding any further with the project. Even now the height of the dam can be scaled down [illegible] Dhawan [illegible] that some 80 per cent of the area proposed to be submerged can be [illegible] from submergence. As a result the NSP can also be scaled down. That would doubtless affect the economics of the project but it would have a considerable part of the forest area which would otherwise be submerged. Thus part of the indirect costs perhaps not even reckoned in the present cost benefit analysis can be avoided. In brief the entire project needs a fresh look.

But to reiterate a point made earlier, the present discussion is essentially a plea for more open government. Certainly there is absolutely no case for such secrecy as exists in regard to major schemes and projects approved by the Planning Commission. That body has doubtless some very competent technologists and advisers, however these gentlemen do not have a monopoly of wisdom. Being officials they may be expected to conform even where they may not agree they are tongue tied. But investments of the order involved in the Narmada valley of the order of Rs 20,000 crore in all if note is taken of all associated schemes the gestation period involved the indirect costs in terms of environmental damage and rehabilitation of the displaced persons all these factors call for a public debate on the *pros* and *cons* of such a project before it is undertaken. It is inconceivable that such an enormous project is taken up without taking the entire nation into confidence without debating on the complex issues without comparing the totality of costs with the anticipated benefits. If the present leadership of the country really believes in democracy in giving power to the people through panchayati raj if the Planning Commission members are sincere about planning for the country's development and not in promoting sectional interests of a few technicians and contractors they ought to come out with a white paper on the Narmada Valley Project, give it wide publicity, and have it debated openly. The members of parliament also need to demand more information on this mega project, for we are committing large resources over a long period of time for this project. Quite apart from anything else, there is obviously little wisdom in making a new start on such a mega project when we have no dearth of important projects which are incomplete and are getting delayed because of the paucity of financial resources with the government. This is a theme which has been emphasised repeatedly in this column earlier what we need today is to quickly complete projects which are half complete so that their benefits start flowing to the economy quickly. At a time when the cost of such incomplete projects is some Rs 80,000 crore or more there is little merit in starting yet another one costing Rs 20,000 crore especially when the benefits of such a project can arise only sometime in the next century.

But most importantly, this is, to repeat, a plea for more open government. If the present leadership is sincere about giving power to the people—a shibboleth which is being repeated day in and day out—then the leadership should treat the citizens of this country as responsible adults. And as responsible adults, we have a right to know the full facts on the Narmada Valley Project.

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Rajiv-Farooq Accord: What Went Wrong?

Balraj Puri

The Rajiv Gandhi-Farooq Abdullah accord implicitly undermined the status of Jammu and Kashmir and questioned the loyalty of the people of the state The accord has also had other adverse consequences for the state's politics What is needed, therefore, is some rethinking on the philosophy of the accord, on the strategies of the coalition government headed by Farooq Abdullah and on the Kashmir policy of New Delhi

THE current situation in Kashmir which is a culmination of a definite political trend since Farooq Abdullah resumed power in the state in November 1986 following what was called Rajiv Farooq accord does not leave any room for doubt that the avowed objective of the accord of fighting anti national and communal forces has not been achieved In fact the situation is a logical consequence of the accord

In a way accord was hardly the appropriate term to describe what was essentially an agreement between two political parties to form a coalition government and an electoral alliance to contest elections Such agreements among other parties or elsewhere in the country have normally not been given the exalted nomenclature of accord Since the Congress National Conference arrangement was described as an accord it was perceived to be in the category of the Indira Abdullah accord the Rajiv Longowal accord the Assam accord and the Mizoram accord The common feature of these accords was an agreement between the regional leader and the prime minister of India over disputes regarding the status or problems of the respective regions

There was no such dispute in Jammu and Kashmir state which Rajiv Gandhi and Farooq Abdullah resolved It was an agreement between them as presidents of two political parties But the way it was perceived interpreted and projected it implied a new agreement over centre state relations Farooq Abdullah himself justified it on the ground that the policy of confrontation that he had pursued with the centre for two years earlier had cost the state dearly

Farooq Abdullah s position clearly implied firstly that it was an agreement between him and the centre and not with the Congress Party and secondly that a state like Jammu and Kashmir would not get its due share in the federal set up of India if the ruling party at the centre did not share power in the state Further to accept a political arrangement for the sake of getting more money is to cause humiliation to any self respecting people But nobody questioned these obvious implications Indeed a columnist like J D Sethi no friend of the ruling party explicitly raised the arrangement to the level of a national policy when he argued that in the border states the party in power at the centre must share power with the regional parties (*The Hindustan Times* May 4)

This reduces the status of such states to less than that of the states of the mainland For while the latter have a right to elect a party of their choice to rule them the people of a border state are required to be governed albeit partly by a party (in power at the centre) which might not have a substantial existence in the state and for one reason or the other is not liked by its people In other words the people of the border states are expected to prove their loyalty to the country by the additional test of demonstrating their loyalty to the party in power at the centre

Is there a better way of making border people disloyal to the country? In fact there is a special reason for showing greater respect for the susceptibilities and the autonomy of frontier regions as was done in India during British rule and is being done in other large countries because these regions can perceive of a secessionist option which is not available to the mainland people

The Congress National Conference alliance had some other inherent adverse consequences It damaged the *raison d'etre* of both the parties For the National Conference owed its popularity in Kashmir mainly to its role of defending the Kashmiri identity against the supposed threats from the central government controlled by the Congress It symbolised in particular the anger of the people of Kashmir against the dismissal of the duly elected government of Farooq Abdullah in 1984 But when the same Farooq Abdullah two years later joined hands with the party responsible for his dismissal his National Conference ceased to be an instrument of protest and was instead perceived by the people of Kashmir to be as an instrument of humiliation

Likewise Congress support in Jammu was based on its supposed ability and assurances to defend the identity of the region against what its people called Kashmiri domination But its alliance with the National Conference ensured just the opposite It conceded the supremacy of the Kashmiri leadership of the National Conference in ruling over the state including Jammu

The alliance above all blocked secular and nationalist outlets for popular discontent As long as the two parties were opposing each other those dissatisfied with the state government expressed their dissatisfaction through the Congress while those against the policies of the centre ventilated their feelings through the National Conference This neat division of state politics between two nationalist parties marginalised extremist in all the regions of the state

Past experience amply bears out the fact that whenever the state had a two party system it strengthened secular democratic forces whereas whenever secular forces formed a single front extremist forces got an opportunity to fill the vacuum Notwithstanding such empirical evidence and the logic of common sense nationalist opinion has favoured and worked for the unity of secular forces and has failed to appreciate the integrating and creative role of the division of the secular forces into two parties with one functioning as an opposition party for channelling discontent

Democracy can be used to promote national unity by satisfaction and also by providing healthy outlets to those who are not satisfied On both counts the National Conference Congress(I) alliance in the state suffered from some inherent and some self created limitations

In order to increase the sum total of satisfaction of the people an elementary knowledge of their aspirations is necessary Of this the alliance leaders did not betray any indication in the stated objectives of the accord in their election manifesto or in any other statement There is no reference in them to the aspirations of different cultural ethnic regional religious or class identities or to the human urges for freedom and dignity

Sheikh Abdullah used his knowledge of

Islam to expose the 'un Islamic' character of the leadership of the Muslim League and later of Pakistan Hazaratbal remained an emotional religious cultural and political centre of Kashmir for half a century But the sudden and mechanical separation of religion and politics that was now attempted left the entire religious field vacant for the fundamentalists to exploit Farooq could not and need not have attempted to duplicate the role of his father But as president of Auqaf which also manages Hazratbal and other shrines it was his responsibility to enlist the services of competent ulema of Islam to prevent misuse and exploitation of the glorious and catholic tradition of their religion in Kashmir by the opponents of secularism and national interest

Suddenly Kashmiriat and the regional identities of Jammu and Ladakh also became taboo terms in the political vocabulary of the state overlooking the fact that it was the sentiment of Kashmiriat on which Abdullah had mobilised his people against the armed raiders from Pakistan in 1947 and that it is regional identity that is the most potent cementing force among the various communities in Jammu and Ladakh and thus making for decommunalising of their politics In any case the legitimacy of regional pride is by now hardly questioned in any other part of the country

Farooq Abdullah did announce soon after resuming the chief ministership the appointment of a commission headed by the present writer to work out the details of regional autonomy Formal consent of some of the best experts of the country was also obtained to serve on the commission No reason was ever given for wriggling out of the announcement

Again Ladakh has remained unrepresented in the state cabinet though the cabinet has been expanded to a record strength of 30 It has also been denied the status of a scheduled area promised to it since 1980 The claim of the Gujars for a similar status though encouraged too has not been conceded Again the emerging Pahari identity is clamouring in vain for recognition The legitimate cultural and linguistic problems of the two principal linguistics Kashmiri and Dogri have also remained unattended to The cumulative effect of not recognising secular identities based on region ethnicity and language and not conceding even their moderate demands has been to encourage alignments on communal lines

The National Conference Congress(I) alliance had hardly any class appeal either For no call was given for redistribution of income and wealth or to restructure the economic system to make it more egalitarian and to meet the minimum needs of the people

The alliance had nothing to offer to the *citizens even at the individual level in the form of a less corrupt and more efficient administration enlargement of civil liberties and greater sense of participation*

The exclusive focus of the propaganda blitz over the accord was on development To treat development as a substitute for all human urges ethnic religious regional and class is to insult the human mind and equate human beings with robots Most of the human urges of the people are in their capacity as members of various identity groups Only rootless people are without an identity Development is not only no substitute for human urges, it is known to whet them everywhere and to sharpen the urge for an identity

Moreover the yawning gap between the actual performance in the development field and the sky high expectations aroused by the accord was bound to cause deep frustrations Even Farooq Abdullah himself is occasionally constrained to complain publicly against the centre for not fulfilling the expectations of the people in terms of development allocations He has also raised the issue of the extremely low share of Kashmiri Muslims in central government departments in the state Where will the two lakh unemployed Kashmiri youth go he asked at a function of the Kashmir Chamber of Commerce The real integration of the state with the rest of India he said would be possible only if the centre adopted a more positive attitude towards the development of the state If the chief minister is not satisfied over the role of the centre in regard to the development of the state which was the *raison d'etre* of the accord the level of dissatisfaction of the common man on this score can be imagined

To be sure, all the troubles in the state are not the direct outcome of the accord Nor is the accord responsible for all the shortcomings in the performance of the coalition government But if the partners in the alliance had realised the inherent limitations of the accord and taken compensatory measures to overcome them, they would have faced the situation better

Moreover, every system, especially a democratic one, must provide for avenues of expression of discontent While the accord removed from the political scene the major such avenue in the form of an opposition party , no other avenue was provided within the system

Nor could the growing frustration due to the many causes mentioned above find adequate expression through the elections as they were widely perceived to be less than fair The failure of the opposition parties to fill the vacuum is no less conspicuous and inexcusable These factors all the more necessitate the provision of a credible grievance redressal machinery and an institution like an ombudsman

The foregoing explanation of the form discontent has taken in Kashmir is not to justify it But it is a plea, on the basis of the actual experience of Kashmir politics for the last forty years and the elementary laws of political behaviour for some rethinking on the philosophy of the accord the strategies of the coalition government and the Kashmir policy of New Delhi as also of all political parties and the nationalist opinion of the country so that ideological, political, cultural and administrative weapons are not completely discarded in favour of the weapons and methods of the police

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General Editor Ashok Mitra

Lopsided Growth

Political Economy of Indian Development

by **Pradhan H Prasad**

[illegible] in political economy unravels the forces which have acted as [illegible] development The Achilles heel of Indian development plans the author [illegible] their preoccupation with investment planning to the neglect of institu[illegible] formation Within this broad framework the author discusses a wide range of [illegible] macroeconomic plan models choice of techniques the persistence [illegible] relation [illegible] agriculture growing political assertion by the middle [illegible] and uneven regional growth

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Financial Liberalisation
Unconvincing Case

If the growth of South Korea's financial system in an environment of reform and liberalisation is considered worthy of mention, the growth of India's financial sector has not been less striking Yet the World Bank's World Development Report *completely ignores it And this is precisely what renders the case for financial liberalisation that the report seeks to make less than convincing it ignores all evidence which goes against the dogma it sets out to propound*

THE World Bank s *World Development Report 1989* focuses on the role of financial systems not only in developing countries but also in the advanced industrial countries and seeks to make uniform prescriptions for both This is indeed an ambitious task encompassing the whole spectrum of experience of countries at different stages of development Perhaps only the World Bank could have made bold to undertake it others may have been daunted by the fundamental differences between the processes of development in the LDCs with unlimited supplies of labour and scarce capital and the processes of growth in the advanced industrial countries with scarce labour and massive capital For the World Bank however, the central if not the sole issue is to goad the LDCs towards greater market orientation and closer integration with the world capitalist economy With that kind of a framework the *World Development Report* has attempted its task with easy confidence It is a different matter that its contribution to understanding the complex processes of development and the role of finance in them has been minimal

For the framework of the *World Development Report* we have World Bank president Barber Conable s Foreword to the report With the decline in net foreign capital inflows the developing countries will have to rely more on domestic resources to finance investment The right type of financial systems can help to mobilise savings and allocate "them to the most profitable activities", thus enabling the society 'to make more productive use of its scarce resources' Thus the flow of resources into profitable activities is regarded as synonymous with the productive use of resources However, to play this role effectively, the financial systems of most developing countries are diagnosed as being in need of restructuring, for the industrial and financial policies of the 1970s and 1980s "have left many developing countries' financial institutions insolvent"

The root of the problem is identified as government intervention to promote economic growth The interventionist approach was much less successful in promoting financial development It follows that a solution to the problem lies in more market oriented financial systems Allocation of credit is best accomplished by reducing the number of directed credit programmes the proportion of total credit affected by such programmes and the degree of interest rate subsidisation The emphasis has to be on credit availability instead of on interest rate subsidies

The report s attempt to build a case for more liberal and open financial systems has to be understood in the context of the changed thinking on the strategies of development in developing countries themselves By the middle of the 1970s there had occurred some disenchantment with the nature and pace of development in many developing countries Bureaucratic processes had prevented the benefits of development from reaching very large segments of society This provided the basis for the western countries through the instrumentalities of the World Bank and the IMF and their own bilateral 'aid programmes to pressurise the developing countries to change course

It is against this background that the *World Development Report* asserts that "the experiences of the 1980s have led many developing countries to reconsider their approach to development To obtain all the benefits of greater reliance on voluntary, market based decision making they need efficient financial systems It is another story that the LDCs did not seek the other option– that of reorienting their development strategies in such a way that the balance of economic power and the benefits of development shifted in favour of the poor and the underemployed and unemployed

Coming back to the role of finance in development the *World Development Report* reveals an altogether narrow perspective "the financial system s contribution lies precisely in its ability to increase efficiency" This raises a whole set of questions about the definition of efficiency When some two thirds or more of the people in many developing countries do not get a decent living, if financial institutions are oriented towards extending, directly or indirectly finance to enable a section of such people to improve their productive capabilities can this policy be objected to on the ground that it offends the criterion of "efficient ' allocation of resources?

That apart the report does not show an understanding of the rationale of the interventionist approach to financial development adopted in the LDCs In an environment of acute market inefficiencies public intervention has been found to be a necessary instrument for minimising the distortions Control on interest rates on bank deposits for instance has been universally accepted as necessary for regulating the flow of rentier incomes While the report agrees that interest rates have an uncertain effect on the amounts people save it argues that their effect on the form in which people save is clear This is only partly true for the report's premise that high interest rates favour financial over non financial savings is not a proven one

It is true that savers with financial assets shuffle such assets depending upon relative yield rates but the propensity to hold non financial assets (gold real estate and goods) is hardly affected by high interest rates on financial assets Apart from social considerations pecuniary calculations too favour the holding of certain non financial assets Take the case of gold in India In the past decade the price of gold has risen at an annual compound rate of 18 per cent Real estate prices in some of the metropolitan areas have risen at an even faster rate No banking system can offer real yield rates on deposits which compete with those on such assets and still hope to lend at realistic rates of interest The lending rates have to bear some relationship with the rates of return on investment in different sectors of the economy As it is the keen demand for non-financial assets and their high and rapidly rising prices are the result of a distorted pattern of development which has occurred despite interventionist policies Market oriented policies would create more distortions and harm the development process further

The rationale of an interventionist policy in the financial field should thus be clear The determination of nominal interest rates cannot be left to the market which is invariably controlled by a small segment of society wielding economic power These sections gain even from inflation Secondly these segments of socie-

ty derive far better returns from the use of capital than say marginal and small farmers. Therefore lending rates have to differentiate between credit to these poor segments and other sections with stronger economic power. The pattern of development has also to take cognisance of the need for this differentiation. Considering the continued presence of a [illegible] poverty levels the development strategies adopted by many developing countries during the 1950s to the 1970s have [illegible] continued relevance during the 1980s and 1990s. What is in fact [illegible] the [illegible] of [illegible] these strategies [illegible] control over [illegible] to be minimised and [illegible] degree of genuine democratic [illegible] needs to be introduced. [illegible] the broad goals and strategies of development with an intervention [illegible] continue to be relevant even today.

While the World Bank's report requires closer [illegible] specific comments are worth making at this stage. First, the report has paid [illegible] attention to the success [illegible] the successful phases of financial intermediation in many developing countries. Even when it makes some reference to the impact of directed credit programmes on credit and growth, it takes a [illegible] and negative view. It argues that while individual sectors have benefited from directed credit, the overall effect on growth has been hard to gauge. It is argued that what matters is whether those who received directed credit used their resources more productively than those who were denied credit would have. Consider this question in the context of India where there are different types of directed credit: somewhat rigidly regulated credit to wholesale trade, preferred credit to agriculture, small scale industry, small business and even retail trade, and credit to medium and large scale industry related to its inventory and other requirements. The resource mobilisation effort of the Indian banking industry has been likewise commendable and deserved a closer study but the *World Development Report* almost completely ignores it, presumably because this has been achieved under public ownership. While it need not be denied that the Indian financial system is replete with problems, it is a fact that public ownership has given stupendous strength and [illegible]. The financial infrastructure [illegible] in distant nooks and corners of the country is unparalleled in any part of the world. This has gone completely unnoticed in the report. If the growth of South Korea's financial sector in an environment of financial reform is considered worthy of mention, the growth of India's financial sector in a controlled environment has not been less striking.

Secondly, before rejecting the financial policies followed by the developing countries in the 1970s and 1980s an attempt should have been made to discuss their logic and rationale. There was a structured planned approach to the development of the real economic sectors. Apart from social and infrastructural investments, basic and capital goods industries required massive funds and forward looking entrepreneurship, both of which were lacking. The public sector filled the gap. The financial sector had to mobilise resources in driblets and deploy them to meet the developmental requirements. An unbiased critic would at least concede that the strategy adopted was certainly relevant and appropriate to that stage of development from the 1950s to the 1970s and it alone could have achieved the rapid growth achieved in several developing countries including in India. Certainly each of these countries in the current phase of their development is seeking some degree of re-orientation of its financial policies but that should not render the earlier phase irrelevant. Besides, the problems of the financial sector are indeed linked to the structural problems facing many of the developing economies and these problems are sure to get accentuated with financial liberalisation.

Thirdly, objections to cross-subsidisation of interest rates totally fail to take into account the structural features of developing economies. There is no sound theoretical basis for the so-called market-based interest rate structure when the markets are notoriously inefficient and differentiated. As explained earlier, an important consideration must be the paying capacity of the borrower. Therefore, a system of differential interest rates based on income-earning capacity and priorities of development derives its rationale from the structural features of the developing countries. The World Bank's report shows no awareness of this rationale.

Finally, all the four lessons of reform that the *World Development Report* has sought to draw seem unexceptionable: financial sector reform should be attempted after macro-economic stability has been achieved where prices are distorted owing to protection or price controls; financial liberalisation may not improve the allocation of resources, and adequate, if less invasive, framework of laws and regulations will nevertheless continue to be necessary; and finally, political and economic obstacles to the needed reforms have to be anticipated and transitional compensation to those most adversely affected has to be provided. A number of questions remain unanswered, however. For instance, in an environment of macro-economic stability will not a well-administered financial system together with a wider dispersal of economic power expand the domestic market and provide a better impetus for growth and development? In any case, it can be said that there is no empirical support at all for the sweeping conclusion drawn by the report: "[a liberalised financial system] would continue to make mistakes and waste resources. But it would probably make fewer mistakes and waste fewer resources than the interventionist approach followed in many developing countries today."

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State Terror in Jehanabad

The treatment meted out to Amarjeet Sohi after his arrest was reprehensible. According to reliable sources he was beaten up and tortured. The DIG (CID), who came to interrogate Sohi personally tortured him.

IN the past year and a half the state government with the active intervention of the central government has launched a new offensive to crush extremist influences in the central districts of Bihar. This offensive involves a twin pronged strategy combining a strong police presence with an accelerated thrust on general development goals such as redistribution of land, improving transport infrastructure, providing houses etc. to the weaker sections, and so on. These two arms are code named *Operation Rakshak* and *Operation Siddharth* respectively. While Operation Siddharth is confined to Gaya, Aurangabad and Jehanabad districts, Rakshak covers 7 districts. The seven central Bihar districts which have been identified are Patna, Nalanda, Bhojpur, Rohtas, Gaya, Aurangabad and Jehanabad. The union ministry of home affairs under whose guidance the operation was planned has identified 27 blocks in 7 districts as extremist affected. The Bihar government however claims that 41 blocks in these seven districts are 'extremist affected' and in addition has identified 11 blocks in 7 more districts as 'extremist affected'. Reportedly the state government asked for 12 battalions of paramilitary forces to police this area. The central government however thought that four would be sufficient. According to the home secretary there are 30 companies deployed at present of which 15 companies are posted in Jehanabad alone. According to the SP of Jehanabad district there are over and above the Bihar police, 2 companies of the Border Security Force, 1 company of the CRPF, and 10 companies of the Bihar Military Police (BMP). In addition force from Gujarat Special Reserve Police have also been requisitioned. There is at least one battalion of the Border Security Force in the central Bihar area.

Alongside, there has been a dramatic strengthening of the Jehanabad district police. To accommodate the new increase in police presence, schools, primary health centres and other public buildings have been taken over. In Arrain village for example, the primary school is a BSF camp. But the most glaring example is the Jehanabad hospital. This has been taken over by the BSF. We could not find a patient or hospital staff in it. According to the Lok Sangram Morcha there are 74 such police camps where 2 574 jawans of the paramilitary forces are stationed.

A PUDR team visited Jehanabad to make an independent study of the recent reports of violence in that district. The team visited four villages in Jehanabad where recent incidents of people being killed, beaten or arrested by the police have taken place. They are Penthith village, Bajitpur village and Aladbigha village under Karpi police station and Bhadasi village under Arwal police station.

ADMINISTRATION CONTRACTOR NEXUS

On November 15, 1988, three persons, two of them members of the Bihar Pradesh Kisan Sabha (BPKS), were killed in police firing during Chhat mela near Penthith village.

Penthith borders on the river Punpun. A small distance away from the village are two temples, one fairly old and the other built recently. This place is well known for its five annual fairs (*melas*) held during Kartik, Chaitra and *Makar Sankranti*. As all fairs and *hatts* (village markets) in Bihar are auctioned out by the district administration, the organisation of these fairs too was auctioned to the highest bidder. The contract for organising these five fairs has been regularly going to Braj Mohan Sharma from the adjacent Kurtha block. It is claimed by the people that he enjoys administrative patronage. For several years BPKS has been agitating for taking the contract away from Braj Mohan Sharma. They allege that the tolls he collects from the stalls are exorbitant and that his musclemen extort money from the stall owners. Gambling pools and liquor stalls flourish during these *melas* and often women visitors are molested. The local people demanded that the contract for the fairs be given to a committee formed from among people of the nearby villages. To provide some security to visitors to the mela, the BPKS and the Indian People's Front (IPF) has been setting up an assistance *shivir* (camp) in each of these melas since 1984. This camp had become a regular feature of the fairs. Last year, as usual, the assistance camp was set up on the morning of November 15. The same day some officials and policemen visited the fair. A heated altercation took place between the BPKS activists and the officials, regarding the harassment of the visitors to the mela by Sharma's henchmen. Reportedly the circle officer agreed that the contract should not, if possible, be given to Sharma in the future and gave assurance that the administration would see to it that the harassment of people would not take place.

The next day a police camp was set up at the mela. While the BPKS set up its camp on a raised 7 feet high platform, on which the old Shiv Mandir was built, the police camped directly below the BPKS camp on the ground. All was seemingly well though there was some tension in the air. But suddenly late in the night a small explosive device went off next to the police camp. At the time when the explosion went off a large number of people were watching a cultural programme while some BPKS volunteers had dropped off to sleep in their camp on the temple platform. According to the police a bomb was thrown from the BPKS camp at the police. The police claim that the sentry on duty raised the alarm and the constables took position and fired at the people in the camp. The police point out that since the bomb hit the side of the 7 feet high terrace it must have been thrown from above. According to BPKS supporters and eye witnesses somebody had deliberately set off a powerful fire cracker. They do not know who set it off nor from where it was thrown. One suggestion was that the police themselves had set it off in order to create an excuse for their action. Another explanation was that contractor Sharma had thrown it to create a panic and implicate the BPKS. At any rate the firing left three dead. Satandev Choudhary (45), secretary of the Jal Shramik Sangh and a member of the district committee of the BPKS was shot dead immediately. He was sleeping on the edge of the terrace just above the police camp and had been woken up that very instant by his brother who was another activist. Nand Yadav, a youth of 16-18 years of age on a Chhat fast was also shot dead. He was apparently not connected with BPKS. Sabaldeo Yadav (25) who was sleeping nearest to Satandev Choudhary also died that night. He was first shot in the leg, then as he ran towards the mandir for shelter he was shot again this time fatally. Rajendra Yadav, secretary of the village BPKS committee, and Ramesh Choudhary, a 23 year old man, were injured. Two people were arrested who according to BPKS activists were bangle sellers.

The official version contends that the intention of the BPKS was to scare the police in order to seize their arms. This account lacks credibility. First there were no injuries to the police. Clearly the bomb was a fairly innocuous firecracker. This the police too admitted to us. Secondly, during the time that the police took up position there was no attempt to

attack them or to snatch their rifles Thirdly the trajectory the police themselves claim the bomb took makes no sense if someone 7 feet above them were to throw the bomb vertically downwards How can such a bomb ricochet off the platform wall? One of the possibilities an administrative official hinted at was that the police panicked Even if the police did panic they did not fire blindly They had been conditioned to react in a certain way They aimed deliberately at the raised platform above their camp and in particular at the BPKS camp It should be noted that there must have been about a hundred people on this terrace including women and children IPF activists say that when the policemen saw who had died they were overheard saying that the main person got away The bodies of the three persons who died were not returned to the relatives but were cremated by the police According to the district magistrate this was done since no one claimed their bodies However the team chanced upon a copy of an order made by the district magistrate directing that the bodies should not be handed over and that they be cremated quickly by the police after a speedy post mortem

This incident at Penthith points to the impunity with which the police violates all norms of legality the utter callousness and disregard for the right to life and security and the administration contractor nexus An officer of the district whom the team interviewed confided that there was pressure from the higher ups to second the police version of events

[illegible]

Bhadasi is a large village with 150 households It lies about a kilometre off the main road connecting Imamganj to Telpa There used to be a *kachcha* road connecting the village to the main road but this has recently been metalled after the police action

Most of the landless labourers in this village are Paswans Kaharis or Rajmars Yadavs and Muslims are the landowners in the village but they are middle sized landowners with holdings ranging from 2½ bighas to 15 bighas About two years ago the minimum wages used to be 3 seers *kachchi* paddy (approximately equivalent to a little over 1 kg rice) and no meals were given After the agricultural labourers organised under the BPKS and went on strikes the wages were raised bit by bit to 3 kilo rice with a *nashta* (snack) This is the situation there today The other severe problem villagers used to face earlier was the molestation and harassment of their womenfolk, especially by the Yadav landowners This is not to mention the dacoit menace in that area All this has almost completely ceased due to the movement launched by BPKS This village has organisations of both the BPKS and the Mazdoor Kisan Sangram Samiti (MKSS) Most of the agricultural workers are in either of the two organisations though the BPKS appears to be relatively stronger here

On November 27 1988 a group of about 24 armed policemen of the BMP led by *daroga* Imam Rashid, entered the home of Vakil Ram on a tip off that an armed squad was staying there According to the police when they entered the house from the rear entrance the members of the squad opened fire on them killing the *daroga* on the spot In the exchange of fire that followed three members of the squad were killed while the others managed to escape over a wall The police recovered several fire arms and 'extremist literature from the spot Later a house to house search was conducted in the village and several people were arrested

The version the local people gave us was different According to them five people described as *sathis* (comrades) were staying in Vakil Ram's house At the time of the incident only an old woman Lakhpati Devi was in the house with them Three of the people were eating in the *angan* (courtyard) while two others were bathing at the small well in front All of a sudden a door leading outside from a back room was forced open and the *daroga* rushed in followed by some policemen The people got up and ran to the front room and tried to open the door but found more policemen outside They shut the door and one of them picked up a hand gun When the policemen entered and fired at them this person fired back killing the *daroga* on the spot This person also sustained fatal injuries Meanwhile two of these five people had managed to escape by climbing over a wall and running away According to the people the two persons left inside did not die in the exchange of fire They were caught by the police and shot afterwards But the team had no way of ascertaining that

After this incident, later in the day more policemen accompanied by BSF jawans surrounded the village and went on a rampage beating up people including women and children They ransacked houses of the agricultural labourers and destroyed their meagre household goods Houses of better off sections too were looted Villagers allege that jewellery was stolen from their women Rs 5,000 was allegedly stolen from the home of Madan, a BMP jawan who had come home on leave His son too was beaten up According to Jamil Mian a relatively well-off resident he was called by the police and beaten up too The village bania's shop was broken into and money and goods stolen The team met some women who were forced to take off the traditional silver ornaments and anklets by the police We also saw huts in which doors had been broken mud walls and *chulhas* (cooking hearth) smashed

While in the absence of eyewitnesses it is difficult to decide the course of events of the actual killing a few facts stand out clearly The people visiting Vakil Ram's house had definitely some arms with which at least one of them fired back at the police The police broke into the house without warning and no attempt was made to ask those inside to surrender Since no actual breach of peace had taken place the police had no basis to enter and start firing either It is not possible with available information to ascertain whether all the three persons killed died during the exchange of fire As mentioned above villagers including people not sympathetic to the peasant organisation, believe firmly that the two sathis were killed later in cold blood by the police According to Jamil Mian as the three bodies were lying in a row before they were removed by the police they must have been shot after they were captured This is not wholly convincing What however is absolutely clear is the rampage and looting the police indulged in after the firing The police also arrested several people who are still in jail They include Vakil Ram the owner of the house Shanti Devi his wife and their two children aged 3 and 5 respectively When we asked officials why such small children are in jail we were told that the mother refused to leave them behind This speaks volumes for the trauma that Shanti Devi has undergone

Landlords Control *Gair Mazarua* Land

Bajitpur is about 10 kilometres from Bhadasi and quite far from the main road The outlying *tolas* (settlements) of the Harijan and Muslim agricultural labour are however only about 1 km off the main road There is a large stretch of wasteland between these *tolas* and the main road on a small part of which a weekly *hatt* (market) is held

All the landowners of this village are Muslims There are about five Muslim families with very large holdings Mohiddin Khan cultivates 40 bighas of land, Ahmadi Mian cultivates 60 bighas, Halim Khan cultivates 50 bighas, and Rashid Khan cultivates 25 bighas The agricultural labourers are either Muslims or Musaharas There are about 40 Muslim houses of which around 30 families are agricultural labourers and others are artisans

The large 90 bigha stretch of wasteland is called '*gair mazarua*' land (government

land) We were shown a map of a 1912-13 settlement report which showed a plot of 22 acres (Khata No 148, Plot No 446) as *gair mazarua* land The adjoining plots were also *gair mazarua* according to the villagers At the time of the 1971 settlement report the landlords 'produced documents and had the plots transferred to their names.

In January this year, the landless labourers decided to take over this land On January 12 they organised under the Mazdur Kisan Mukti Morcha and erected a red flag on the land and built huts around them Around 30 huts were put up for 2 Muslim agricultural labour families 15 Paswan families 5 Musahar families and for about 8 10 other Dalit agricultural labour families The next day the police came and smashed all the huts The people then went and met the LRDC On January 20 a meeting was fixed in the office of the LRDC where both parties were called According to the agricultural labourers when the LRDC saw the papers the landlords presented he said they were fake and wrote so on the papers Another meeting was fixed on January 23 but the labourers were not allowed inside the office and only the landlords were given a hearing The labourers were sent back after being told that the LRDC would come himself to the area to see the spot On January 30 the local people decided that they had waited long enough and again erected huts on the disputed land The next day the huts were smashed again by a police force The policemen beat up several women quite badly and smashed up utensils The team was shown smashed cooking pots, pails and other utensils Goods worth around Rs 1 500 were destroyed by the police On February 2 these agricultural labourers took all the utensils to the DM On February 5 the police came again and threatened the villagers not to tell anyone about what had happened

Arbitrary Arrests and Torture

The team visited Basata *ka tola* the dalit *tola* (settlement) of Azad bigha village from where Amarjeet Singh Sohi, the cultural activist from Punjab was arrested on November 14, 1988 There are around 82 households in this *tola*, all of whom are landless Twenty two houses are of Rajmars, 45 households of Manjhis 12 Paswans, 1 Dhobi and 2 Nais All these families are landless agricultural labourers for the surrounding large landowners The two largest landowners are Balu Prasad Singh of the main village, who owns about 80 bighas, and the *Mahant* of the Deokund Matt who owns about 250 bighas

Deokund Matt is a nearby religious place. The land legally belongs to the Matt, but is in the possession of the Mahant and most of it is cultivated by tenants There are about 250 bataidars on this land The remainder is cultivated directly by the Mahant who employs 5 6 Banihars and also casual labour from nearby villages The village is Rajput dominated having around 40 landowning Rajput families

Agricultural wages in this village used to be 2½ seer *dhan kachchi* (1,350 gms of paddy, equivalent to less than a kilo of rice) with no meals for casual labour and 2 seer *dhan kachchi* for the Banihars employed under *halwaha charwaha* systems The interesting feature about them is that they are also given a small plot of land usually 10 *kathas* for self cultivation Last year, however the agricultural labourers organised under the Mazdur Kisan Mukti Manch and went on a 10 day strike during the harvest season Their wages were then raised to 3 kgs of rice with a meal for casual labour (though women labourers are still not given a meal) and 3 kgs of rice along with the 10 kathas of land for the Banihars According to the agricultural labourers we interviewed on the night of November 13 and 14 about 40 activists and sympathisers of the Mukti Manch had gathered in this village to chalk out a plan to demonstratively seize land of the *Mahant* of Deokund Earlier a large number of agricultural labour had gone and planted a red flag on the 85 bighas owned and operated by the *Mahant* The flag was however pulled down by the *Mahant's* men The peasant organisation had also made representations to the administration asking them to distribute the excess land but to no avail The meeting ended at about 2 30 a m Most of the people went back to their own villages but a few stayed on to sleep for the night

At about 3 a m the police surrounded the village and raided the hut in which the meeting had taken place There they found Amarjeet Sohi and a few others who were promptly arrested In the early hours of the morning fresh police reinforcements arrived including a large number of BSF jawans The policemen then raided every house in the *tola* and arrested every male they could find Since most of the men had run away the police could arrest only about 20 of them In all 25 people were arrested including Amarjeet Sohi Twenty belonged to this village and four belonged to nearby villages The villagers also alleged that the police took away small sums of money found in the huts

Amarjeet Sohi has been charged with sedition under the arms act and under the terrorist act The police have said that he is a Canadian terrorist who had 'infiltrated' into the country to provide training to the Naxalites in Bihar In actual fact the 26-year old Amarjeet Singh Sohi hails from Sangrur district in Punjab A few years ago he had gone to Canada to join his elder brother who is a resident there Amarjeet Sohi became active in the Punjabi Sahitya Sabha, a cultural organisation very critical of the Khalistani terrorists in Punjab and of their supporters in Canada Both Amarjeet Sohi and his brother had been threatened by them in the past This organisation has contacts with Gursharan Singh and the Amritsar School of Drama directed by him Thus when Sohi came to India for a visit he became active in this drama troupe When he learnt that some members of the Revolutionary Centre were going to Bihar to attend the inaugural meeting of the Lok Sangram Morcha in Dalmia Nagar Rohtas district he decided to accompany them He then decided to stay on in order to study the peasant movement for himself

The treatment meted out to Amarjeet Sohi after his arrest is reprehensible According to one description R R Prasad DIG (CID) who was among the senior officials who had come to interrogate Sohi personally tortured him According to this information Sohi was bunched up on the ground His hands and feet were tied and the DIG was kicking him and beating him and swearing abuses at him So far the police has found no information against Sohi The only thing they have is a photograph which they claim shows an armed squad They have also recovered some pamphlets from his possession along with other extremist' literature such as Bhishm Sahni's Tamas and Avtar Singh Pash's poetry They are therefore keen that he be booked under the NSA so that his case does not come up in court

The police officers intent on forwarding their careers painted Sohi first in Khalistani colours and then in bright red It was the DM of Jehanabad who ultimately came to Sohi's relief Prasad was not allowed to continue with his brutal methods and according to one eyewitness, Prasad protested loudly We also have it first hand from the secretary, home department in Patna on February 6 1988 that the government was certain that Sohi was either a Khalistani or an agent of the dreaded left wing organisation IPANA, in Canada But only a few hours earlier the then DM of Jehanabad said there was just no proof to believe that Sohi was a Khalistani nor that IPANA was really a dreaded organisation promoting Naxalism in India It is most interesting to note in this connection that the DM of Jehanabad who refused to let Prasad DIG (CID) of police to torture Sohi was transferred early in February

[This account based on the report of the People's Union for Democratic Rights]

China: Political Background and Prospects

J Bruce Jacobs

The leadership in China remains deeply divided. Many leaders in the centre, at provincial levels and in the localities support economic and political structural reform and even support some reduction of ideological rigidity. While these people, probably a majority, must now lie low, the habits of the past ten years will not die too quickly.

FOR many years there have been clear lines of political conflict in China. In the early to mid-1970s three groups contended to succeed Chairman Mao Zedong, who finally died in September 1976. The first group, the conservatives, had led China in 1950 and early 1960, but then suffered a reversal in the Cultural Revolution. Premier Zhou Enlai later brought them back to senior positions in order to restore some economic growth and political order. Deng Xiaoping was an important leader of this group, which also included an important part of the military. The second group consisted of people who benefited from the Cultural Revolution, such as Hua Guofeng, a provincial official who worked in Mao's native area and whom Mao raised to national level. Hua eventually became Mao's chosen successor. The third group, the radicals, had supported many of the Cultural Revolution policies and later became known as the Gang of Four.

Shortly after Mao died, the first two groups formed a coalition to oust the radicals. This coalition lasted for a few years until Deng Xiaoping could purge the second group, which had become known as the whatever faction because they advocated the two whatevers. "We must steadfastly uphold whatever policies Chairman Mao made; we must unswervingly abide by whatever instructions Chairman Mao gave."

Beginning in December 1978, the conservatives, under the leadership of Deng Xiaoping, began to steer China on its post-Mao reform course. Yet this conservative group now divided into two groups: the reformers and the conservatives. The Beijing massacre is one attempt to resolve their conflict, which has lasted for over ten years.

The conservatives, who include Li Peng, Yao Yilin, Peng Zhen, Chen Yun, Li Xiannian, Yang Shangkun, Hu Qiaomu and Deng Liqun, tend to stress the leadership role of the party, the importance of central planning and state ownership, and the relevance of ideological orthodoxy. The reformers, who have included Zhao Ziyang, Wan Li, Hu Yaobang, Tian Jiyun and perhaps Hu Qili, have favoured such reform proposals as minimising the role of the party in government and the economy, emphasising the collective and private sectors of the economy, using the market to create efficiency, increasing foreign trade and foreign investment to stimulate the Chinese economy and to some extent liberating thought (*jiefang sixiang*).

Many Chinese as well as foreigners tend to see these two positions as complete programmes. In other words, they believe a reformer or a conservative would advocate all of these respective policies in a systematic way. However, we can distinguish three different policy arenas and discover that some people advocate a reform position in one area and a conservative position in another.

The first policy arena concerns economic reform. Those advocating economic reform favour the responsibility system in agriculture and industry, Chinese foreign joint ventures and foreign investment. The second policy arena concerns political structural reform. Its advocates desire separating the party from government and separating government from the economy. Those advocating ideological reform, the third arena, do not simply wish to change slogans. Rather they wish to de-emphasise the importance of unified thought and allow at least a limited range of ideas to compete against each other. The conservatives want unified thought, which means the centre determines what is correct thought, which everyone must then accept. Of course since 1949 such centrally determined 'correct thought' has often proven quite incorrect.

I would argue that basically Deng Xiaoping has supported economic reform and political structural reform but has insisted on ideological orthodoxy. He is not, and never has been a small d' democrat. In an important speech he gave on December 30, 1986, in the context of the student demonstrations of late 1986 and early 1987, he said: "We cannot but have dictatorial methods. We must not only talk about dictatorial methods, when necessary we must also use them. Of course, when using them, we must be prudent and arrest as few people as possible." Unfortunately, in his senility, Deng Xiaoping has lost his prudence.

It became clear at the 13th National Party Congress held in October-November 1987 that the reformers held a large majority of positions in higher levels of the party. Important conservatives like Deng Liqun lost their races for the central committee at the party congress. Yet deals had been done beforehand, and a preponderantly conservative leadership, which included the choice of Li Peng as the premier, won election to senior party and government positions.

The selection of Li Peng as premier raises one of the central issues concerning China's 'pro-democracy' students—nepotism. Contrary to western reports, premier Zhou Enlai and his wife Deng Yingchao did not adopt Li Peng. Li's father was killed in the revolution, but Li's mother survived and raised Li. However, when he went to school, Li Peng, as well as some other children did live with the Zhous. A story widespread in China in 1987 said Deng Yingchao, a power in her own right who had previously served on the political bureau of the party, went in tears to the leadership and said it was premier Zhou's last wish that Li Peng should be premier. (Recently she is reputed to have opposed the use of force against the students.) Like Li Peng, many senior Chinese leaders do not hold their positions because of any competency, but because they are the children or grandchildren of senior party leaders.

In considering recent events we must not forget the power of the military and the security agencies. China has a long history of civilian control of the military. In the imperial periods, civil officials led many important military expeditions. Chairman Mao, too, emphasised civilian control of the military with his famous quotation: "Political power grows out of the barrel of a gun and the Party controls the gun." In fact, under the Chinese communists, the military has wielded enormous influence. In the early years of the People's Republic, from 1949 to 1954, the military played a key role in establishing and administering the new political system. The military also played a very important role during the Cultural Revolution when it intervened between com-

peting factions and began to control the revolutionary committees, China's administrative apparatus Until Mao died in over half of China's provinces, the provincial party first secretary, the key person in each province was a military man We must also remember that Lin Biao in September 1971 attempted a military coup an indication of the military's strength and importance in the political system

Deng Xiaoping used the military to win control after Mao died but then he decided to reduce the military's staff and budget Arguing that China could not afford both guns and butter Deng told the military it would be better first to build the economy later with this larger economy the country could afford more military expenditure In fact many of the claimed staffing reductions did not occur because numerous demobilised military units simply became units of the armed police

We must also remember that security agencies have been an integral part of the Chinese communist regime since the halcyon days in Yinan when so called democracy and the mass line were emphasised In fact the Chinese communists then relied on a Stalinist secret police which is still important

In looking at recent events it is instructive to remember that the Chinese communist regime has consistently supported the Khmer Rouge even after the revelation of the latter's atrocities And this regime has not hesitated to use violence against Tibetans who the regime claims are Chinese

What are the prospects for Chinese politics? The leadership in China remains deeply divided Many leaders in the centre at provincial levels and in the localities support economic and political structural reform and even support some reduction of ideological rigidity While these people probably a majority must now lie low the habits of the past ten years will not die too quickly As noted the elections at the 13th National Party Congress indicated a willingness to speak up Similarly at the National People's Congress and in local People's Congresses (China's legislatures) people have spoken up and opposed central party policy On April 5 this year over ten per cent of National People's Congressmen and women voted no and another thirty per cent abstained in voting on a proposed law which the leadership supported Perhaps we can also take heart from the attempts in the last ten years to emphasise a 'rule of law' and the implementation of 'procedures' I believe these have met a responsive chord among a large number of Chinese and while a dictator and/or military force or security forces can easily overwhelm attempts to act according to the rule of law there appears to be substantial support within China for return to a less arbitrary political system

Predicting politics is quite difficult China will have a few difficult and sad years until the old leaders like Deng Xiaoping and Yang Shangkun die After the old leaders die younger leaders like Li Peng and Jiang Zemin will find it difficult to sustain their positions because they lack independent power bases Chinese politics will be extremely fluid, but it is not difficult to see a reform-minded leadership coming to the fore again On the other hand we must never forget the existence of the powerful repressive military and security agencies We must await the death of the old men to see how the complex web of Chinese politics develops

China: At the End of the Capitalist Road

Neville Maxwell

Mao foresaw that the policies of the capitalist road would turn out to be a short cut to catastrophe for the country leading it into economic collapse and social disorder That took just over a decade The reforms which have been so applauded by Deng Xiaoping's western claque have left China facing a long period of division and turmoil

> It was a pig walking on its hind legs Yes it was Squealer A little awkwardly as though not quite used to supporting his considerable bulk in that position but with perfect balance he was rolling across the yard And a moment later out from the door of the farm house came a long line of pigs all walking on their hind legs And finally there was a tremendous baying of dogs and out came Napoleon himself majestically upright casting haughty glances from side to side and with his dogs gambolling round him He carried a whip in his trotter
>
> George Orwell *Animal Farm*

IT is difficult to think of a political event that has been the subject of greater misunderstanding in the west than has the Tiananmen demonstration and its brutal suppression by the Chinese government Forgetting the politics of the Chinese revolution making it an act of faith that Deng Xiaoping's reforms have brought great benefit to China and that the Chinese simply demand more of them western observers and analysts have seen what they wished to see an oriental replay of eastern Europe's rejection of communism

The west's failure of analysis is signalled by the wild semantic confusion degenerated now into utter garbling of its descriptions of post revolutionary China's political factions 'radicals 'conservatives, 'reactionaries', 'hard liners the labels and their wearers have switched and shifted bewilderingly The ruling faction in China, best named as Dengist, has of course deliberately added to the confusion with its own chameleon verbal camouflage, first presenting itself as upholders of Mao Zedong against those they called his enemies and theirs the gang of four', then with the power they took through the 1976 *coup d'etat* consolidated moving through repudiation of the Cultural Revolution to tacit rejection of Mao himself a mad recluse they told us for the last 19 years of his life and finally Deng to justify his repression is found parroting the language of his own Cultural Revolution tormentors and labelling his victims counter revolutionaries

Keys to clarify the confusion are available The most detailed accurate and sophisticated lies in the writings of China's Maoists but for those who find such a source suspect *Animal Farm* will do The Aesopian morals of that great political fable are two that revolutions are born infected with the virus of counter revolution i e those who lead the structuring of a revolutionary society can become a class whose self interest is served by its undoing and that in this age counter revolution will always present itself as revolution continued In Orwell's terms the pigs of the Chinese revolution seized power in the later 1970s and instituted policies of restoration and regression which progressively reversed the achievements of the previous three decades and of course in the 'human' world outside the farm these 'reforms' and the humanoid antics of the pigs, on golf course and in rodeo stage coach, were

MANSINGHKA PRATISTHAN

TRI-STAR SOYA PRODUCTS LIMITED

Speech delivered by Shri M P Mansinghka, Chairman, at the 9th Annual General Meeting of the Company held at Bombay

Ladies and Gentlemen

[illegible] to you all a warm and cordial welcome [illegible] Annual General Meeting of the Company. The Directors Report and audited accounts of the company for the 8 months period ended March 1989 have been with you for quite some time and I hope you have [illegible] the company's [illegible] When we met last on 30th December I had indicated about the definitely favourable turn in the fortunes of your company which had been ravaged by severe financial drought for two consecutive years owing to an acute shortage of raw material. As you must have seen from the director's report the company's performance during 8 months period has been much better than envisaged earlier. The company has [illegible] profit before tax [illegible] profit [illegible]

On present reckoning the outlook for the current year can be regarded as very reassuring. During the first three months April June the company has been able to process 14 000 tonnes of soyabean expeller cake and has achieved a turnover of Rs 1 21 crore (inclusive of export of Rs 6 9 crore). Despite considerable erosion of margins largely to the declining soya oil prices in the domestic market the company has been able to maintain a profit at a reasonable level the figure for the first quarter being Rs 40 5 lakh.

As you are well aware many agro based and export oriented industry like soyabean processing [illegible] raw material supply and the [illegible] are the two key elements in determining its future. While [illegible] can be taken for granted all indications are [illegible] to achieve a substantial growth [illegible] of the

(Rs in crores)

	8 months ended 31 3 89	12 months ended 31 7 88
Production (including [illegible])	[illegible]	[illegible]
Turnover	[illegible]	[illegible]
Export	[illegible]	[illegible]
Net Profit	[illegible]	[illegible]
Earning per share (in Rs)	[illegible]	[illegible]

While I hardly need repeat the relevant figures highlighting the company's performance achievement it is well worth mentioning that your company performance compares very favourably with that of other companies engaged in soyabean processing. If you have had to go without [illegible] during this time even when the earning per share based on profit during 1988 89 work out to Rs 8 3 it is simply because of the carry forward loss of the preceding two years which has now been reduced from Rs [illegible] crore to only Rs 0 9 crore. There is every reason to hope that the company will be in a position to return to the dividend list next year.

[illegible] so far has been very satisfactory considering the [illegible] work carried out by the Technology Mission in improving the organisational set up for the timely supply of the various [illegible] input. It would not [illegible] further increase in the recorded kharif oilseed production [illegible] soyabean in 1989 90. With a sure raw material supply next season the company should be in a position to further improve upon 1988 89 performance.

In an increasingly competitive environment continuous upgradation of technology is a must for improving cost efficiency is also [illegible] quality of the product. In this context I would like to mention that the United States has developed a technology by which the usage of expellers is eliminated and one can process high yielding varieties of oilseeds direct by solvent extraction processing. The quality of oil obtained is far better than expeller oil and the yield of oil is also higher. What is even more significant is that the cost of production is almost half. This technological innovation has brought about a virtual revolution in the oilseed crushing processing industry.

You will be pleased to know that your company has decided to adopt this latest technology and hopefully the plant will have incorporated this technology before we meet next. The induction of this technology will impart great flexibility to the plant enabling it to process various oilseeds in our unit which in turn will make possible fuller utilisation of the installed capacity and thereby reduce considerably overhead costs.

In order to finance the modernisation programme your company has decided to issue 10 lakh equity shares of Rs 10 each at par on a Rights basis in the ratio of two shares for every five shares held. The letter of offer will be mailed to you shortly. I am sure you will find the Rights offer at par pretty attractive. I look forward to your enthusiastic participation in the company's growth.

You will be pleased to know that your company is now a recognised trading house. This will help improve the company's profitability.

I think this speech will seem incomplete if I did not make a brief mention of the well conceived integrated policy for oilseeds aimed at accelerating the move towards self reliance by helping growers without unduly hurting consumers. Creation of a buffer stock of five lakh tonnes of edible oils through indigenous procurement as well as imports and prescription of a price band Rs 20 000 to Rs 25 000 a tonne for the two major oils namely groundnut oil and rape mustard oil constitute the key elements of the policy. It is unfortunate that the government should have failed to fulfil its commitment in regard to either of these. Six months have gone by since the announcement of the policy early in January. But rape mustard oil is still quoted about Rs 5 000 a tonne below the Rs 20 000 a tonne mark. Quite apparently procurement effort has not been adequate to absorb the available supply to achieve the price band objective or the buffer stock target.

Whether the government should have prescribed the same price band for rape mustard oil as that for ground nut oil when the former had generally been quoted well below the latter is a moot point. However if the government were really earnest about enforcing the minimum price in respect of rape mustard oil and it found that the NDDB and the other state level agencies were unable to carry out procurement operations on the requisite scale it should have done away with the ceiling on stocks of oilseeds and oils under the storage control order and further relaxed selective credit control to enable the private trade to build larger inventories and also allowed the vanaspati industry to use rape mustard oil freely in the manufacture of vanaspati. The government could reimpose the ceiling when the objective was achieved and prices threatened to pierce the upper limit of the price band.

If oilseeds production next season turns out to be higher than in 1988 89 the government will need to take effective steps right now to ensure improved management of the vegetable oil economy. The implementation of the integrated policy has brought into sharp focus certain conceptual deficiencies and inadequacies in the organisational infrastructure and these merit special attention.

Before I conclude I would like to place on record my sincere thanks to all our shareholders for the trust and confidence reposed in the Management, the Financial Institutions and Bankers for their wholehearted assistance in helping achieve our objectives and to the Central and State Governments for their co operations.

I would also like to extend my sincere thanks to my colleagues on the Board for their valuable advice, all the Workers and Members of the Staff and Officers of your Company for their continued diligence and dedication.

Thank you very much

Note
This does not purport to be a report of the proceedings of the Annual General Meeting

Sobhagya B/89

rapturously applauded

Whether Mao ever know of *Animal Farm* is not known but he certainly lived it

The Chinese Communist Party fractured almost immediately after its triumph in 1949 The coalition of classes which Mao had put together and which overwhelmed the decadent Guomintang regime divided over China's future road in what appeared at first to be mere difference of priority But the differences in fact were absolute For the Dengists (whose first leader was Liu Shaoqi) the pre eminent task was that of building China into a powerful modern state and the natural leaders and prime beneficiaries of that process would inevitably be the bureaucracy allied with the intelligentsia reinforced with elements from the old order and supported by whatever friends could be won abroad In a term a new bourgeoisie but one that was to be controlled strictly when necessary by the Communist Party

In that scenario the peasants would put down the arms with which they had won the revolution take up again their sickles and hoes and toil as usual until the benefits of modernisation began to trickle down into the rural sector Even then there would be other levels of filtration a renascent rich peasant and potential landlord class in alliance with urban interests would have to benefit first in order that agriculture could generate the surpluses needed for industrial modernisation

For the Maoists the task was to build society in the interests of the peasants and the workers whose numbers would rapidly grow as China industrialised So far as the peasantry was concerned Mao's confidence that they potentially had an inexhaustible enthusiasm for socialism was vindicated in the extraordinarily compressed saga of the 1950s that carried rural China from the small holding agriculture which land distribution had extended and revivified—and which Mao recognised as the route back to stagnation and poverty for the majority– through primitive and then sophisticated stages of co operation and with accelerating pace into collectives and the newly conceived people's communes with their enormous potential for sustained comprehensive and flexible development

That triumph with the secular increase in agricultural production and the rescue from poverty of the majority of the peasants, say 60 per cent, in a mere 25 years, the Dengists have had to deny and belie in order to substantiate their false claim that they inherited from Mao a failed agricultural strategy, and that their reforms had to be introduced to save an economy on the point of collapse Credulous specialists in the west well disposed towards the reformers who were so eager to learn from them have been glad to accept those formulations

It became apparent in the early 1950s that the growth at all costs strategy for China's development which would reverse the revolution's egalitarian thrust and jeopardise the country new won economic independence enjoyed committed support in the communist leadership That the strategy they sign posted capitalist road would lead to rest at in the arm surge of rural prosperity the Maoists recognised accepting that it would therefore have powerful appeal to many peasants but they foresaw that its beneficent effects would be short lived bought at the cost of the factor for long term growth that collectivisation had built into the rural economy

Through the 1950 and especially after the first years of the 1960s when the Dengist faction of the party had the opportunity to introduce tentatively what later it could impose as the reforms Mao evolved in tandem of his opponents policies that carried on into diagnosis of their class affiliation By the mid 1960s the Maoists had concluded that a new bourgeoisie was in train in China and that the peasant and worker who constituted the vast majority of the society were in a relationship of conflict class conflict with the bureaucrats who formulated the policies that shaped their lives and with the groupings interlinked or in common cause with the bureaucracy professionals intellectuals party cadres especially those of the higher ranks and their families

The Cultural Revolution was the Maoists counter attack against that emergent class whose hostility to the revolution could be inferred from their policies although it was of course denied in their rhetoric Although it appeared at first that the Cultural Revolution had succeeded in consolidating and advancing the egalitarian principles and practices that served socialism the power of the Dengist right of the Communist Party was not broken merely put to tactical retreat By the mid 1970s the Cultural Revolution was on the defensive the right resurgent In 1976 the year of his death Mao was quoted as saying of China's cadres You are making the socialist revolution and yet don t know where the bourgeoisie is It is right in the Communist Party--those in power taking the capitalist road The capitalist roaders are still on the capitalist road '

Indeed they were Only a month after Mao's death they struck, in a classic praetorian *coup d etat* Unit 8341 of the PLA charged with the safety of the national leadership was turned against the left and China's great reversal, its Restoration began As Mao had foreseen, once the right had full power in the party leadership the purge of the left would be easy to achieve and China could be made to change colour Mao foresaw also that the policies of the capitalist road would turn out to be a short cut to catastrophe for the country leading it into economic collapse and social disorder That took just over a decade

The problem from the Dengists point of view was that if the Communist Party is used to bury socialism it changes into something very different and becomes a Stalinist or even fascist party The students in Tiananmen knew as do most Chinese, that the party has become corrupt and then and believed perhaps that it had also become impotent and irrelevant They forgot that Deng had made much of the professionalisation he intended to work on the army so that it would no longer be a people's liberation army custodian of moral and social values but learn to goose step and to obey like any other third world force Deng himself is best seen now for all his claims to have put down a counter revolutionary rebellion, not as a communist but as the Shah of China

The reforms which have been so consistently applauded by Deng Xiaoping's western claque have left China facing a long period of division and turmoil Deng's new model army cannot be used successfully as an instrument of coercive government for China as a whole and the process of political disintegration that has begun cannot readily be reversed The problems facing Beijing were enormous and beyond resolution even before the students took to the Square not only an economy out of control and a currency threatened by accelerating inflation but deadliest of all an acute grain shortage that is the direct consequence of the decollectivisation of agriculture China would need a coherent effective government with the support of a united people to steer a way to national survival through the rapids into which the reforms' have led it As it is with the only alternatives being repressive military rule or challenges by force that could lead to civil war, China faces an ineluctable regression into the disorder fragmentation and renewed mass poverty from which its revolution once rescued it

Nehru and the Visvesvaraya Legacy

Vinod Vyasulu

Against the background of the ongoing discussions on the Nehru legacy, this note seeks to examine one important strand in the legacy that Nehru himself inherited: the work of Mokshagundam Visvesvaraya in the princely state of Mysore in the early years of the 20th century, and to see to what extent he was influenced by this earlier legacy and to what extent he developed it further.

I

NEHRU's achievements and contributions are well recognised. Continuing attention to economic matters, his achievements seem stupendous. Nehru was the chairman of the Economic Planning Committee of the Congress Party before independence. He was familiar with the various views expressed on the use of planning, such as the Indian Capitalists' or Bombay Plan of 1944. After independence he constituted the Planning Commission as an independent body to render expert advice. Together with the Indian Statistical Institute, the Planning Commission did an enormous amount of excellent work in the field of planning, not only in the theoretical structure that led to the Second Plan, but in a number of related areas as well. If there is one area in which India is at the forefront of research on a global scale, it is in planning.[1] At least some of the credit for this should go to Nehru. Further, to obtain political acceptance of the principle, a National Development Council was constituted and it worked well enough in the early years.

Apart from the institutions of planning, Nehru was also responsible for the setting up of productive public sector enterprises outside the government, as it was felt that departmental under-banks were not suited for commercial operations. The Industrial Policy Resolution of 1948 was meant to reassure foreign capital. The IPR of 1956 took a more positive approach to what the state could do, and defined the role of the public sector which was to invest in core sectors that required huge investment and long gestation periods. Hindsight apart, Nehru contributed a great deal in the early years of independence to setting up institutions and creating healthy conventions that are essential for progress.

In trying to understand the Nehru legacy today, it would be useful to understand also the legacy inherited by Nehru and which formed the basis on which he made his own contributions. This however will be an ambitious task well beyond my competence to undertake. There may have been useful lessons from the experience of Baroda and its Diwans, for example, V T Krishnamachari. What is therefore proposed in this paper is to examine one important strand in the legacy that Nehru inherited and to see to what extent he was influenced by this earlier legacy and to what extent he developed it further. I refer to the work of Mokshagundam Visvesvaraya in the princely state of Mysore in the early years of the 20th century. Visvesvaraya is well known as an engineer. It is clear however that he may also be seen as an economist and a pioneer in India's planning efforts. He was also elected for a term as president of the Indian Economic Association.

As the Diwan of Mysore state and as perhaps the most accomplished engineer of his times, he had made major contributions in various fields. These include the design of drinking water and sanitary systems of many cities including both Hyderabad, the capital of Andhra Pradesh, and Hyderabad in Sind, and Karachi, now in Pakistan. He made contributions to systems of flood control in Orissa and to the generation of electricity in Mysore and elsewhere. He was associated with Tata Iron and Steel Company in Jamshedpur and was the founder of what is today known as the Visvesvaraya Iron and Steel Company in Bhadravathi. He played an important role in the economic development of Mysore. In brief, he was a man whose accomplishments at the level of a princely state which was under indirect British rule may be seen as parallel with those of Nehru on the larger canvas of the nation fifty years later.

The contributions of Visvesvaraya were well known to Nehru.[2] In 1936 Visvesvaraya had submitted a major proposal on nation building to the Congress members of the Bombay legislature of which province B G Kher was then prime minister. This was elaborated on and published later for wider circulation. He was also a member of the Congress Committee on Planning of which Nehru was chairman. Visvesvaraya like Nehru, was a Bharat Ratna of independent India. Visvesvaraya's centenary was celebrated in 1960 and fortunately enough he was alive at that time and his brief memoir written in 1959 makes fascinating reading. Prime minister Nehru presided over the centenary function in Bangalore on September 15, 1960.

II

Visvesvaraya was in the service in the Bombay presidency as superintending engineer, irrigation, from which he took early retirement so that he could contribute freely to society as he saw fit without the constraints of office. He decided to live in Mysore and was persuaded to join the government as chief engineer. Being an active person he was deeply involved in the policies of the state in which he lived, especially in the promotion of education and industry which he made a condition for accepting employment. He was invited by the Maharaja of Mysore in 1912 to function as Diwan. He had travelled widely in Europe, the United States and Japan and had experience of work in both British India and the princely states, and in the management of industrial concerns. He can be considered the father of management science in India.

His writings are full of references to the process of development, especially the process of industrialisation that took place in the advanced countries of Europe, the US and Japan, and he repeatedly stresses the gaps between these industrialised countries and Mysore in particular, and India in general, and the need to catch up by following their policies. From his 1934 book *Planned Economy for India* it is clear that Visvesvarava appreciated the importance of estimating national income and that he understood the structural changes that take place in an industrialising economy, especially the secular decline in population dependent on agriculture. For Visvesvaraya, industrialisation was the means to an end—the end was a society in which citizens enjoyed a clearly defined minimum level of social services, a minimum level of education, a minimum level of health, certain guaranteed opportunities to contribute to productive work. He also believed that these were best provided at the local level, and made elaborate suggestions for local self-government systems. As an enlightened citizen of society, he believed that if this was to be achieved, the productive capacities of the economy were to be extend-

ed and while there was potential for growth in agriculture, the primary increase in productivity and output would come from industrial development. Industry would make possible both the ability to produce and increase production, provide employment and also make available a large number of goods at reasonable rates.

In his view British policies were clearly responsible for holding India back and greater autonomy—Dominion Status—was a minimum requirement for progress. This comes out clearly in his comments on the proposal to set up a Reserve Bank in 1934. He considered a strong nationalist state to be essential for industrial development. Such a state would follow policies similar to those of the U.K., Japan, Germany, etc., and thus take the country forward.

His working life of about 75 years as an engineer statesman was devoted to promoting this process both technologically as an engineer and administratively as a civil servant. Thus in the time he was responsible for policies in Mysore state he concentrated his energies on training the population so that they could contribute productively in a rapidly industrialised society. In order to do so he set up systems for the systematic collection of data and information at the district level. He started with the establishment of training institutions of higher learning and he made the patronage of the state available for a rapid growth of industry. Visvesvaraya was the first to set up a department of industries in India and he made plans for the setting up of a large number of units, many of which came up much after his term as Diwan ended. These include the five tonne per day fertiliser (ammonium sulphate) plant at Belagola, the iron and steel plant, a soap factory and many others. He believed that it was necessary to build up a base in the engineering industries and in heavy chemicals as these would provide the essential foundation for a more rapid development of industries. At the same time he encouraged traditional industries in the districts as these would both provide employment as also satisfy the consumption needs of people in local areas.

To quote from the authoritative and pioneering work of Balakrishna[3] with the Diwanship of Sir M. Visvesvaraya in 1912 there were signs of a transition. This was an epoch making era in the history of economic progress in Mysore. The leading economic policy of the state during this period was one of direct undertaking by government of large industrial concerns. Schemes were conceived on a very large scale, and executed on colossal proportions. The Mysore Iron Works and the Krishna Raja Sagara Dam are two of the major schemes which attained fruition during this period. This policy brought about a thorough reorientation in the industrial outlook of the people of Mysore. The justification of the policy consisted in the fact that even after a decade of encouragement private enterprise was not sufficiently courageous to undertake large concerns. It may be noted, however, that there was considerable controversy around Visvesvaraya's views—the debates between him and Alfred Chatterton, the director of industries, and Albion Banerjee, an official who temporarily succeeded him as Diwan, are fascinating. Visvesvaraya's insistence on investment by the state has a clear Keynesian flavour for a writer in the early 20th century.

Visvesvaraya's plans have the clear cut precision one would expect from an engineer. They are blue prints for action. His ideas about society seem over simple, even naive at times. A man who believed in efficiency he may have found it difficult to understand social complexities, individual motivations and political forces.

In his own words the aim of any plan of reconstruction should be first and foremost to increase production and to come to bring into the country up to date machinery and render its use familiar to the people to spread among them a knowledge of sound business policies, principle and practice, to extend mass education and to equip the leaders with technical skill and executive ability. In a brief note in 1959 he noted three achievements: the setting up of the University of Mysore, the first in an Indian state, the setting up of industries, especially the iron and steel works in Bhadravathi, and the setting up of systems to systematically gather statistical information in the districts of Mysore. From his ideas and suggestions it is possible to argue that a base for the policies of the Second Five Year Plan had been laid.

Economists have been aware of Visvesvaraya's contributions but they have not been given much importance. In there comprehensive survey of Indian contributions to economic analysis, Bhagwati and Chakravarty refer to pre-independence ideas of planning but do not discuss them further as they lacked a clear analytical base. Bhabatosh Datta[4] in his review of Indian contributions to economics in the twentieth century devotes three pages to Visvesvaraya's plan of 1934 which he opines was not original but was at the same time a competent marshalling of data and information by a none economist. He points out a major gap in Visvesvaraya's analysis - the absence of demand estimates. He also comments that it is a remarkable effort for somebody working in the remote south.

A summary of the recommendations he submitted in 1936 to the Congress Committee on Planning is given in the appendix. It shows the base that he provided for the post independence contributions of Jawaharlal Nehru.

III

Nehru had an important role to play in the freedom movement in a country that now consists of 800 million people about half of whom are born after independence. He was clearly identified with the dominant stream in this movement and for over fifteen years after independence he had an opportunity under extraordinarily favourable conditions: good foreign exchange reserves, good harvests, a societal consensus to try and mould Indian society and build institutions in a manner that was consistent with the vision for which his generation had made so many sacrifices. Nehru was the main architect of important institutions in independent India; he contributed to Indian foreign policy, to secularism and nation building, and to the process of planning in its many dimensions. Yet there were in the Indian freedom movement figures like Gandhi, whom many may consider more important, but who did not live long enough after independence to leave a mark on post independence development. This is true also of other figures like Subhash Chandra Bose and Sardar Vallabhai Patel; some like B.C. Roy and C. Rajagopalachari became less important figures in the popular mind as time passed. Thus in terms of opportunities both before and after independence Nehru seems to be unique.

Nehru is known for his commitments to central planning as a solution to problems of development. The best example of Nehru's planning vision is the Second Five Year Plan which was developed on the basis of a plan frame prepared by P.C. Mahalanobis in a Planning Commission of which Nehru was chairman. It is well known that this framework was influenced by the Soviet planning experience. The essential logic of the plan was to increase the rate of investment and to invest primarily in the core sector in machines to make machines which would make available the essential equipment necessary for the production of consumer goods at a later stage. The public sector was to be established through the creation of new enterprises and was meant to occupy the commanding heights of the economy. To complement this there was a small industries policy which was meant to provide employment, to meet consumer needs and also develop a large class of entrepreneurs. The private sector was also assigned an important role in the industrialisation process. In order to ensure

that finances were available, the Imperial Bank of India was brought under government control as the State Bank of India Life Insurance was nationalised and the Unit Trust of India was set up

An important result of the Second Plan was the establishment of steel plants such as Rourkela Bhilai and Durgapur Other industries established as a result of this strategy were what is today called Bharat Electronics Hindustan Machine Tools Indian Telephone Industries and many others Nehru regarded these as the temples of modern India which could be instrumental in contributing towards a strong and self reliant nation On the other side Nehru believed in community development under which a vast network of self government and local institutions was sought to be developed Zamindari was abolished In order to provide the technical manpower required for these industries and institutions he was responsible for the establishment of the Indian Institutes of Technology and the Indian Institutes of Management apart from the large network of laboratories under the Council of Scientific and Industrial Research The Indian Council for Agricultural Research which existed under the British was expanded The Science Policy Resolution passed by parliament in 1956 recognised the role of science in modernising Indian society

It would appear from the brief sketch above that there was indeed a great deal of similarity between the strategies advocated by Visvesvaraya in Mysore in the first half of this century and by Nehru for the Indian union in the second half of the 20th century Visvesvaraya had the advantage of a smaller canvas but his vision was national Like Nehru he functioned in Mysore at a time when political forces gave him a certain degree of freedom that is not common He was successful to a remarkable extent in creating and fostering co operative linkages between different institutions For example the process of extracting oil from sandalwood was developed in the chemistry department of the Indian Institute of Science and this process was used in the sandalwood oil factory that was set up Similarly, there was a close link between the Bhadravathi Iron and Steel Works and the department of metallurgy of the Indian Institute of Science In fact the process of destructive distillation of wood which was used to produce charcoal was at that time considered to be a pioneering industrial process (even though it ran into trouble due to changes in marketing conditions later on) Brazil is now moving towards this technology

In order to ensure that the voice of industry was heard, he set up the Mysore Chamber of Commerce and Industry, now the FKCCI In order to ensure co-ordination between the efforts of industrialisation and policies of government Visvesvaraya set up the Mysore Economic Conference which would deliberate at least once in a year on the major issues of policy for economic development irrigation agriculture and education and industry and commerce The Mysore Economic Conference thus performed a function similar to the Planning Commission in the 1950s Bhabatosh Datta notes that the Planning Commission set up by Nehru performed functions similar to those recommended by Visvesvaraya in his 1934 plan

When Visvesvaraya found that technical and skilled jobs were being dominated by the Brahmin community he set up a revolving fund to award scholarship to meritorious students of other castes and very soon the Mysore University produced skilled engineers and others from the non Brahmin castes who could claim their rightful share in society Nehru on the other hand was a champion of the reservation policy in which a certain percentage of jobs and opportunities were reserved in the constitution for the oppressed castes Visvesvaraya like Nehru emphasised the importance of education and commerce He cautioned that universities were not awarding degrees in commerce and other job related areas Nehru expanded the educational system and tried to link it to planned development

When it comes to an assessment of Nehru it is much more difficult to see what was achieved First we do not have the advantage of distance in time Second there can be many interpretations as to what was being sought to be achieved and what was actually achieved in recent years Nehru had an emotional involvement in the planning process stemming from what has been called socialist ideals Nehru believed that he was trying to build a socialist pattern of society but what was achieved was state led capitalism

Visvesvaraya on the other hand though an admirer of the first Soviet plan was very clear that this was not what India needed not even what he called state socialism Having regard to the conditions prevailing in India it is safe for this country to proceed along the lines practised in such countries as France and the US India resembles France in the small size of the agricultural holdings and the US in the large size of the country and the magnitude of its resources particularly manpower We have yet to build up some measure of moderate industrial prosperity and for the present, capitalism is best suited for that purpose." Visvesvaraya's biographer, V S Narayana Rao, reports that he was a critic of Nehru's industrial policy, but does not give details

The linkages between institutions did not work as Nehru would have liked them to have The engineers produced in the IITs could not be quickly absorbed in Indian industry and this resulted in a stream of Indian engineers going abroad This is true also of the graduates of the best schools of medicines such as the all India Institute of Medical Sciences Further the new public industrial sector that was established by and large, chose to import the technical knowledge required for production and thus there was a link with multinational companies abroad but not a satisfactory link between research institutions such as those of the CSIR labs and Indian industries in contrast to the experience of Mysore under Visvesvaraya and his successors like Mirza Ismail It must be noted though that the Nehru effort was on a far larger scale and there is need for caution in comparison

Yet the strategies suggested for Mysore by Visvesvaraya faced much opposition The cry was the issue of what today would be called a resource crunch and the ambitious plans were greatly delayed Many felt that the state should not be promoting industry It was only with the rise of Mirza Ismail that some of Visvesvaraya's ideas were revived and implemented In contrast Nehru faced little or no opposition The Congress represented national aspirations every group in society stood to benefit from the proposed policies and Nehru was able to move smoothly into the vacuum created by British withdrawal It was a season of hope problems appeared in the last years of Nehru's life but the system came to crisis only after his death

While there were many similarities in the ideas of these two stalwarts there were differences as well Visvesvaraya was a technocrat who apparently believed in a paternalistic system and the western way of doing things often in an imitative manner and also in a society where various groups functioned in harmony Nehru on the other hand was a liberal democrat who was more conscious of class differences Yet his concern was moral and emotional His idea of socialism did not amount to much more than state control of what he called the mixed economy For Visvesvaraya the cure for unemployment was rural industrialisation Nehru had a much larger vision which he sought to operationalise through the community development programme To Visvesvaraya, economic development was like a ladder that other countries had climbed faster, and his plans were meant to speed up India's rate of ascent following their policies Nehru, on the other hand, had a wider international and historical perspective, and his foreign policy—e g, non-alignment—was meant to increase the space for manoeuvre of third world countries like India Visvesvaraya was the austere and disciplined intellectual, Nehru

was an intellectual with a flair for communication and a political instinct Thus Nehru appreciated the efforts made in Mysore state, he made full use of the industrial expertise built up It was from the Mysore factories that some of the engineers and managers for the public sector units of the 1950s came and it was to Mysore state and Visvesvaraya's home town Bangalore, that the most sophisticated factories of the First and Second Plans were allotted, e g ITI, HMT BEL Nehru left his own unique stamp through his implementation of the same strategy

While both Visvesvaraya and Nehru shared a vision of a strong and united India Nehru appears to have placed greater emphasis on the role of the union and its initiatives Visvesvaraya argued for a national perspective and for co ordination but appeared to visualise a much greater role for what he called the provinces He saw co ordination emerging from discussions and co operation among them in the spirit of Article 263 and the Inter State Council which Nehru never constituted A hint of the difference is available in Visvesvaraya's comment that subordinating the Bank of Mysore to the State Bank of India was not desirable and not good for Mysore

Finally a link is being forged between the industries set up by Visvesvaraya and Nehru Bharat Heavy Electricals came to Bangalore by taking over Mysore Porcelains and RFMCO Today the state government is anxious to have the Steel Authority of India take over the VISL and Bangalore has become the electronics city of India and the headquarters of the space programme Given the importance Visvesvaraya gave to defence he would have welcomed this development

IV

Now at the end of the 1980s the economic situation is very different from what either Visvesvaraya or Nehru must have visualised The Nehru faith in socialism– state control from the commanding heights of the economy is even being seen as a cause for inefficiency Recent policies of liberalisation can be interpreted as a jettisoning of the Nehru concept of planning Today the private sector is stronger and it can be that it now wishes to take the initiative in industrial policy But the capitalism that is developing, based on an aggressive assertion of class interests, would probably have surprised Visvesvaraya and disappointed Nehru

As visionaries and planners, Visvesvaraya and Nehru both represented the needs of Indian industrialists By the time of Nehru and independence there was a greater clarity and consensus in these ideas, and a better appreciation of politics in the sense of what was possible There was a clear continuity in thinking in India on strategies for economic development as both spoke for the same class They articulated their case and were instrumental in getting the state to implement policies that would achieve their objectives especially after independence In the process India has developed an industrial capability and a stable economy that is unique among third world nations That is the achievement and it has set the base for the challenges of tomorrow

Appendix

M Visvesvaraya gave a talk on Economic Planning to the members of the Bombay legislature of which B G Kher was prime minister in 1936 He elaborated on the talk and published a pamphlet on Nation Building in 1936 Section IX of this pamphlet is reproduced below

Six Resolutions

Of the proposals outlined in the preceding six sections of this paper the following half a dozen items are fundamental for rapid economic advance Details pertaining to these particular heads would have to be computed and included along with others in the schedule and estimates of the five year plan

(1) Establishment of heavy industries especially those ancillary to the manufacture of machinery and heavy chemicals

(2) Extension of other industries especially those ancillary to agriculture and industrial development

(3) Providing facilities and credit facilities and adequate tariff protection for certain industries and certain industries

(4) Establishment of rural self government in villages

(5) Introduction of district development plans as outlined and

(6) Universal free education

The following is a summary of the principal conclusions and recommendations

(i) Economic planning is a means to an end The end is a rise in material prosperity and standard of living

A plan for a province will be part of the larger plan for India as a whole A ten year plan is suggested for Federal India and a five year plan for a province

(ii) Economic planning is part of a larger development namely Planning for Reconstruction and Nation Building

With the change in political status in the provinces reconstruction on a planned basis in all three spheres political economic and social becomes a necessity and this will be tantamount to nation building

(iii) The organisation best calculated to promote the proposed developments will include (1) a five year plan (2) a development department (3) a provincial economic council and (4) a separate Development Budget

It is not considered safe for any country to regulate its economic affairs in these days without a coherently designed policy and a deliberate plan Until a federal plan is evolved and introduced each province should provide itself with a separate five year plan of its own and the co ordination of provincial plans may be secured as far as possible by organising periodical conferences between the official representatives of the several provinces

The development work under the plan should be kept separate from the ordinary administrative routine of the provinces So also the development budget should be kept distinct from the regular civil budget of the province

(iv) The five year plan should give a schedule showing the growth or increase expected in the five year interval in income production trade banking and other occupations and activities within the province previously indicated

(v) Planning result expected from these improvements in the standard of living of the people in the present case a rise of 50 per cent may be expected in ten years It will of course be more if the central government is also autonomous This increase in production income etc, will be possible only in the early stages of planning As the resources become used up the increase will necessarily be at a rate of diminishing rate

(vi) In order that cottage and small scale industries may be successfully established, local self government in villages must be made a reality There should be no hesitation to grant self government to the people to the same extent that they enjoy in Indian States Rightly directed the consciousness would help to stimulate creative power aspiration and ambition in our rural communities

To raise the standard of living of the masses the District Development Scheme outlined will be found very efficacious and it should therefore be speedily brought into operation This may be done without appreciably interfering with the existing administrative machinery

(vii) Nation building will be a slow process at first but it is bound to grow as the country gets fuller control of money power, manufacturing power and the power of defence The banks are the mainstay for this growth

(viii) A beginning in planning may be made in each province at once by the establishment of a development department under the supervision of a minister with a competent secretary and a staff of three or more experts An economic council of local men of experience and influence financiers economists and experts should be associated with the department

(ix) The development department should be able to start surveys and investigations and prepare a provisional five year plan as well as a plan for action in the first year The preparation of these two plans by the department with the aid of the economic council or a special committee appointed for the purpose should not take more than

three or four months at the outside

(x) The resources of each province in men material and equipment should be fully mobilised to serve these ends The services of university and college professors retired officials economists financiers engineers chemist and other experts wherever available in the country should be freely utilised by forming commissions committees informal brain trusts and the like The population in every part of the country should be put to work and induced by suitable propaganda to respond cheerfully to the call made on them to raise their income and standard of living

(xi) The huge waste of [illegible] will be prevented if the government also awakens the general public to the fact that in present day economy agriculture though a necessary occupation plays a less important part than industries In advanced England agriculture though protected and subsidised is regarded as on the whole unprofitable

(xii) This is machine age It is power machinery that moves heavy railway trains immense sailing ships military and naval armaments automobiles aeroplanes mills pumping engines and a host of other instruments of mechanical production and propulsion The condition of the country will remain low and primitive until deficiencies in equipment and use of machinery are made good

Notes

[I am grateful to G V K Rao for his encouragement and to V K R V Rao V M Rao M V Nadkarni Amal Ray and Vijay Padaki for their comments on an earlier draft Responsibility for errors and opinions is my own]

1 J N Bhagwati and S Chakravarty Contributions to Indian Economic Analysis A Survey *American Economic Review* Supplement September 1969 This is focused on the post 1950 period

2 The information on Visvesvaraya's work that follows has been culled from his writings in particular
Speeches Vol I 1910 11 to 1916 17 Government Press Bangalore 1917
Planned Economy for India Bangalore Press Bangalore 1934 Second Edition 1936
Reconstructing India P S King and Son London 1920
Nation Building Scope and Structure of a Provincial Five Year Plan Bangalore 1937
A Brief Memoir of My Complete Working Life Government Press Bangalore, 1960

3 V S Narayana Rao *Mokshagundam Visvesvaraya His Life and Work* Geeta Book House Mysore 1973

4 R Balakrishna *Industrial Development of Mysore*, Bangalore Press Bangalore, 1940 It may be noted that this was written before the Bombay Plan of 1944

5 Bjorn Hettne, *The Political Economy of Indirect Rule Mysore 1881 1947* Ambika Publications, New Delhi 1978

6 Bhabatosh Datta, *Indian Economic Thought Twentieth Century Perspectives 1900-1950* Tata McGraw Hill, New Delhi 1978

FORM II

THE MRTP ACT, 1969

[See Rule 4 A (1)]

[illegible] be given to the members of the public before making an application [illegible] under sub Section(2) of Section 22 of the Monopolies and Restrictive [illegible] A 1969

NOTICE

It hereby [illegible] for the information of the public that INDOFIL CHEMICALS COMPANY A DIVISION OF MODIPON LIMITED Nirlon House Dr Annie Besant Road Worli Bombay 400 025 [illegible] to make an application to the Central Government in the Department of Company Affairs New Delhi under sub section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the establishment of a new unit Brief particulars of the [illegible]

[illegible]		INDOFIL CHEMICALS COMPANY A Division of Modipon Limited Nirlon House Dr Annie Besant Road Worli BOMBAY 400 025 [illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
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[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		President Managing Director Vice President Managing Director
[illegible]		Director Director Director Director Director Director Director Director
4	Indicate whether the proposal relates to the establishment of a new unit [illegible]	No [illegible]
[illegible]	[illegible]	It is proposed to [illegible] the State of Maharashtra [illegible]
[illegible]	[illegible]	The proposal is to be implemented by the existing Company with [illegible]
[illegible]	[illegible]	
[illegible]	(a) Name of goods articles (b) Proposed Licensed capacity (c) Estimated annual turnover	Manco eb (Dithiocarbamate 6000 MT per annum About Rs 39 crores
8	In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc	Not applicable
9	Cost of the project	About Rs 19 crores
10	Scheme of finance indicating the amounts to be raised from each source	Internal resources rupee and foreign currency loans from institutions and debentures/deposits

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

Sd/
(I K GUPTA)
SECRETARY

Dated this 29th day of July 1989

July 1989

[illegible]

Culture and Subaltern [illegible]

Communalism and [illegible]

Education [illegible]

[illegible]

[illegible]

'Socialisation' of Critical Thought

Responses to Illiteracy among the Adivasis in Thane District

Denzil Saldanha

The non party political groups in Thane district by mobilising around adivasi cultural identity on economic issues related to their subsistence agriculture and through critical awareness organisation and political action for social transformation attempt to link the political with the cultural and economic They thus offer a perspective for resolving the contradictions between and at these levels faced by formalised adivasi education Above all, they create a climate of critical social awareness and political action which generates a felt need for literacy numeracy and functionality in a more relevant formalised educational programme

> Creating a new culture [illegible] one own [illegible] It also [illegible] the diffusion [illegible] already discovered [illegible] and even making [illegible] of vital action an element of [illegible] and intellectual and moral order
>
> [Antonio Gramsci, *Prison Notebook* (1971 325)]

THIS paper attempts to focus on some of the efforts of non party political groups in Thane district in the field of education Their attempts at solving an educational programme in the context of a democratic struggle and in tune with the felt needs of the adivasis are discussed within the wider scenario of adivasi illiteracy in the region and the relatively unsuccessful effort of the state and voluntary social welfare agencies to change the situation One might visualise two possible factors leading to a change in the status of adivasi illiteracy in the future On the one hand the state sponsored developmental process of dams and irrigation projects along the eastern belt of the district and the setting up of industrial estates along the western railway line and highway could lead to intensive multi cropping capitalist cultivation in agriculture and an industrial and urban spread along the coast This could possibly result in a demand for formal education spurred on by a change in the economy with the adivasis being integrated into the lower ranks of an unequal society as clerical staff and wage labourers in agriculture and industry On the other hand the political assertion of economic rights and the accompanying process of the socialisation of critical thought among the adivasis promises to create a social basis for the need for literacy The political groups working in the region are part of the latter process which ideologically hopes to influence the trajectory of development in the region and to direct the social history of the adivasis within a more egalitarian society This paper shares that hope and is as contingent and tentative as that process

A brief social history[1] of the region would be in order and help towards the understanding of the socio economic basis of present adivasi illiteracy Thane district lies north of the Bombay metropolis and south of the Gujarat state The region came under British rule in 1818 During the first half of the 19th century the British land and forest policies resulted in converting the hunting food gathering and shift cultivating adivasis into settled agriculturists Throughout the 19th century and especially during the latter half there was an influx of traders moneylenders and liquor vendors resulting in the alienation of adivasi lands and their becoming tenants and bonded labourers victims of forced exactions indebtedness torture and sexual oppression Symington a British official with a particularly keen insight into the problems of the adivasis in Thane while writing in 1939 cited another official statement by Orr made in 1895 and in the process underlined a basic relationship between education and the economy of the adivasis which is valid even today These officials expressed their concern at the impact of the British land and forest policies on the adivasis and their scepticism about education in isolation as a solution

> We are sometimes told that in the triumphant march of education these backward tribes will some day learn to protect themselves against the people who are now robbing them of their lands But long before education in its triumphant march has got anywhere within reach of the Warlis every inch of their land will have passed to their masters and they will have no land on which to illustrate the advantages of education Besides it is their very poverty resulting from the enormous share of the produce of the soil that they must give to their masters that bars the advance of education they must be constantly in search of their daily bread so that they cannot spare time for education

And Symington himself added in 1939

> Mr Orr's prognostication regarding the march of education has been only too unhappily fulfilled but nothing as yet has been done to stay the process of the land passing out of the ownership of the old inhabitants or to save them from oppression even as tenants[4]

A militant phase of adivasi struggle began with the entry of the Kisan Sabha in 1944 and continued till 1948 The dialectics between peasant organisations in the region and the post independence state initiated land reforms and development measures have resulted in a predominantly poor peasant and agricultural labour subsistence economy in single crop rain fed agriculture for the present day adivasis They are dependent on the state and a class of landlords capitalist farmers traders and creditors for employment input into agriculture and for credit for tiding over the lean months Alienation of adivasi lands continues with increasing deforestation and restriction on the use of the forests The adivasis numbering 729 424 formed 21 76 per cent of the total population of the district which was 3 351 562 according to the 1981 Census Over a period of a little over a 150 years today's adivasis have been hustled through several modes of production to suit the hegemonic interests of the larger economy from hunting and shifting cultivation to settled agriculture and then to tenancy and bonded labour and finally in the present to indebted poor peasants and agricultural labourers This social history was surely not the appropriate basis for the demand for literacy to arise

The comments of Symington made in 1939 are still valid today with the difference that from tenants and bonded labourers the adivasis have been converted to indebted poor peasants and agricultural labourers Illiteracy is an expression of the subordinate status of the adivasis within his trajectory of development And yet literacy is undoubtedly an important factor in a process of change in this position of the adivasis In a subsequent section one suggests that the efforts of the political groups in the region are a possible solution to this contradiction

SCENARIO OF ADIVASI ILLITERACY

Table 1 presents a picture of the position of literacy among the adivasis as compared to that in the totall population in Thane district according to the 1981 Census It also indicates the availability of educational facilities in the villages While the literacy rate in the total population in the district is 50 50 per cent higher than that of the state (47 18 per cent) the adivasi literacy is only 14 4 per cent even lower than that for adivasis in the state (22 29 per cent) Whereas the former may be explained by the relatively better performance of female literacy within that for the general popula-

tion in the district, the latter represents a dismal picture of both male (22 34 per cent) and female (6 29 per cent) literacy among the adivasis in the district The talukas of Palghar Dahanu Talasari Jawhar Mokhada Wada Shahpur and Murbad which extend into the interior forested and hilly belt of the district and have a greater proportion of adivasis display poorer levels of adivasi literacy than the talukas of Thane Vasai Kalyan and Ulhasnagar which are more urbanised and have a predominantly non adivasi population Rural urban differentials in literacy rates vary sharply and the concentrations of adivasi population in rural areas reinforces this difference Against a literacy rate of 38 58 per cent in the total population in rural Thane the same stands at 68 46 per cent in urban Female literacy among the adivasi follows the above rural urban pattern being extremely low in general (6 29 per cent) and comparing unfavourably with that of the males (22 34 per cent)

There has been a remarkable increase in the rate of literacy for the total population in the district The progress has been tenfold from 1901 (8 31 per cent) to 1981 (50 50 per cent) with a doubling of the rate since around the time of independence in 1951 (24 34 per cent) and a near tripling of the rate of female literacy from 14 19 per cent to 40 15 per cent for the same period This has been primarily due to the urbanisation and industrialisation of the district with an influx of non adivasi population In fact the proportion of adivasis decreased from 30 29 per cent in 1961 to 21 76 per cent in 1981 Another important factor responsible for the general progress in literacy has been the increase in the number of educational institutions The number of primary schools increased from 1778 in 1960-61 to 2562 in 1980 81 and the secondary schools from 83 to 261 for the same period[5] Table 1 indicates that by 1981 95 per cent of the villages in the district had at least one educational institution At present there are 183 balwadis 76 ashram schools and 830 adult education centres in the district and they have the adivasis as a special focus of attention[6]

However the slow progress of literacy among the adivasis stands in sharp contrast to that in the general population and is despite state efforts in education Table 2 gives a sharper picture of the comparative rates of literacy for the general population excluding scheduled castes and tribes and for the latter, for the years 1961, 1971 and 1981, for which some comparable data are available from the census The literacy rate for the general population excluding scheduled castes and tribes shows a marked increase over a higher range from 42 32 per cent in 1961 to 61 09 per cent in 1981 The scheduled tribes in contrast are able to build on an extremely low base of 4 67 per cent in 1961 to achieve a rate of 14 41 per cent in 1981 The poor rate of female literacy among the tribes is all the more apparent when one compares it with that of the scheduled castes and the former category, especially for the period 1961 71 The scheduled castes have a low proportion to the total population of the district and are mainly found in the urbanised talukas

It seems clear that this relative stagnation in adivasi literacy is not for lack of an infrastructure of educational institutions In fact Table 1 reveals that the very talukas of high adivasi concentration are the ones that are relatively better off as far as the availability of educational institutions is concerned The adivasi pattern of living in scattered hamlets within a demarcated village and the consequent distance from the

TABLE 1 LITERACY AND VILLAGES WITH EDUCATIONAL INSTITUTIONS IN TALUKAS OF THANE DISTRICT 1981

Talukas	Literacy in Total Population			Literacy in Scheduled Tribe Population			Scheduled Tribe Population and Per Cent of Total Population	Number and Per Cent of Villages Having One or More Educational Institutions
	Persons	Males	Females	Persons	Male	Female		
	2	3	4	5	6		8	9
Thane	406199	251042	15515	9138	6088	050	931	75
	(63 60)	(71 57)	(53 90)	(35 24)	(45 34)	(4 33)	(4 06)	(89 29)
Vasai	159976	95249	64727	10423	524	899	3486	82
	(57 42)	(66 14)	(48 08)	(19 49)	(27 85)	(10 9)	(1 20)	(89 13)
Palghar	170256	4864	45372	14884	11880	3004	9 10	215
	(45 53)	(54 76)	(35 62)	(15 55)	(24 06)	(6 48)	(36 4)	(95 13)
Dahanu	61306	40620	20686	15 91	13330	2 61	145984	151
	(37 59)	(36 10)	(18 86)	(10 82)	(15 04)	(3 5)	(6 69)	(92 07)
Talasari	10788	8408	2380	185	6128	10	60563	77
	(16 09)	(25 56)	(6 97)	(11 81)	(20 58)	(3 40)	(90 6)	(100 00)
Jawhar	18783	13352	5431	10728	8535	2193	94430	122
	(17 16)	(24 45)	(9 90)	(11 38)	(18 26)	(4 61)	(56 13)	(100 00)
Mokhada	10788	7586	2899	8823	6957	1866	59570	77
	(16 79)	(24 31)	(9 12)	(14 81)	(23 1)	(6 31)	(95 4)	(9 4)
Wada	36382	23437	12945	7540	6066	14 4	48863	160
	(38 04)	(48 54)	(27 33)	(15 43)	(24 56)	(6 10)	(51 10)	(96 39)
Bhiwandi	184459	127720	56739	5044	4005	1039	35124	206
	(46 53)	(56 42)	(33 36)	(14 36)	(22 13)	(6 10)	(8 56)	(97 17)
Shahpur	63724	43626	20098	6402	5272	1130	3833	198
	(36 88)	(49 45)	(23 76)	(11 89)	(19 04)	(4 3)	(31 1)	(97 06)
Murbad	41916	29936	11980	3701	2983	18	7 48	167
	(36 33)	(51 38)	(20 98)	(13 79)	(21 69)	(48)	(33 37)	(98 24)
Kalyan	316500	187059	129441	2587	1748	839	12 89	101
	(66 67)	(73 38)	(58 89)	(20 55)	(27 25)	(13 89)	(2 65)	(90 18)
Ulhasnagar	261406	158192	103214	2848	2000	848	16316	82
	(57 81)	(66 02)	(48 55)	(17 46)	(23 60)	(10 7)	(3 61)	(93 18)
Thane District	1692460	1061391	631069	105094	82416	276 8	29424	1663
	(50 50)	(59 64)	(40 15)	(14 41)	(22 34)	(6 29)	(21 76)	(95 25)
Maharashtra State	29620806	19056503	10564303	1286765	946747	340018	5772038	
	(47 18)	(58 79)	(34 79)	(22 29)	(32 38)	(11 94)	(9 19)	

Note Figures in brackets in columns 2 7 are literacy percentages of the respective populations
Source *Census of India* 1981 Series 12 Maharashtra Part 13 B Primary Census Abstract

village school might partly explain difficulties in access. But this in no way explains the evident adivasi 'resistance' to education and the persistence of illiteracy despite state efforts by way of an infrastructure of schools and teachers. The number of teachers in the rural areas of Thane district which stood at 8,815 in 1981 and gave a ratio of teachers per 1,000 of rural population of 4.73 does not compare unfavourably with the ratio for the state which was 4.90. The symptoms of adivasi non-enrolment and drop out from educational institutions cumulatively manifested in illiteracy might be more meaningfully explained by (1) the continuing subordination of the adivasis within a subsistence economy and their inability to withdraw labour power even though it be that of the children from the production process and invest it in education; (2) by their uncertainty that even if a differed economic gratification were made through present investment in education this would eventually bear fruit in a context of constrained employment opportunities; and finally (3) by the way in which education is conducted i.e. the content, context and mode of transmission of knowledge within educational institutions and its conflicts with the adivasi way of life.

Data collected in 1980[8] on two primary schools run by the zilla parishad in a village in Talasari taluka provide a micro view of some of the immediate factors that might still be contributing to the poor educational level among the adivasis at the district level. Both the schools taught till the 4th standard, the one in Patil Pada starting in 1953 and that in Wadi Pada being established earlier in 1949. Of the 70 children registered in the two single teacher schools in 1980, only 3 were girls. Table 3 gives a distribution of the students in the schools over the 4 classes and for the period 1970 to 1980. The teacher reported that only 25 per cent of the children of the appropriate age group were registered. 45 of the 70 children attended regularly. Poor economic conditions, the need for child labour and the lack of a tradition of education were some of the reasons for poor attendance given by teachers and parents. While books, pencils, slates and a set of clothes were supposed to be given free of charge by the zilla parishad to the adivasi school-going children, only 5 and 10 out of the 34 in the Patil Pada school benefited from slates and clothes, respectively. Girls generally studied till the 2nd standard and dropped out, their education being considered as a burden in depressed economic conditions and anyway of not much use later. The data from the table indicate that as a general trend only about 25 per cent of the children who entered the 1st standard were to be found in the 4th standard. Only 37 children from the village schools passed the 4th standard over the ten year period. Opportunities for study beyond the 4th standard were at the time by way of an ashram shala which taught till the 7th standard in a nearby village. 15 students from this village were reported to be making use of the facility. Eight children in the village were reported to have passed the 7th standard over the past years and another five the high school. Two of the latter were attending college. According to the 1981 Census the male literacy was 21.12 per cent, the female literacy 1.02 per cent and that of the total population 9.85 per cent in this adivasi village.

P. Prabhu and V. Suresh[9] based on their close contact with the field describe the poor state of government sponsored formal education of the adivasis in the region:

> By their (educational authorities) own admission less than 15 per cent of the state sponsored schools function. Most schools exist only on paper. Children are enrolled, taught, examined and promoted in the records alone. Less than 10 per cent of school going children enrol in school. Of these less than 10 per cent finish higher school. In a population that is 90 per cent illiterate, schooling is not at a premium. Sending a child to school means sacrificing a working hand. Sustained schooling is possible only in the better off families. As for the 60 per cent of the families who migrate for work, schooling is impossible. Schools have failed because the tribals does not demand education as a right. The curriculum has no relationship with his life at all. The motivation of teachers is low, even those who are tribals from the area. The reason why education has failed as a development strategy is because the tribals never wanted it in the first place. The rich families took to it because it promised a job.
>
> When only one per cent of the children in the school going age finally complete schooling, education cannot even be considered a mixed blessing. One could call it a disaster.

The reason given for this pessimistic assessment of the condition of the few educated adivasis is the alienation and the schizophrenic existence that awaited them in urban contexts for which they were so inadequately prepared.

The dismal scenario of adivasi education in the district prevails despite the efforts of several voluntary social welfare organisations. The western talukas of the district have in particular been well served by the zeal of these organisations which has been motivated by a mix of humanitarian concern, religious and political ideologies and innovative educational philosophies. A few examples may be mentioned: Pragati Pratisthan (Jawhar taluka), Balkanji Bari (Bapgaon, Dahanu taluka), Vishva Hindu Parishad (Talasari taluka), Maharashtra Gopalan Samitee (Sutrakar, Talasari taluka), the institutional complex of Gramm angal (Dabhon, Dahanu taluka) and Gram Bal Shiksha Kendra (Kosbad, Dahanu taluka) moved by the inspiration of Laxibai Modak and Anutai Wagh; the educational network of the Gokhale Education Society's Agricultural Institute (Kosbad, Dahanu taluka); the Catholic Church, Jesuit mission inspired Gramm ata Sadan (Talasari taluka) with 11 elementary schools and 1 high school; M.D. Society (Vadoli, Talasari taluka); Samajvadi Mahila Sabha (Masvan, Palghar taluka). The ideological and educational orientations of these institutions with their social impact within the contending hegemonic processes in the region could be a subject of a study by itself. What is clear is that they have not made any major impact on adivasi illiteracy. We might now turn to the activities of some political groups which offer a contrast to the foregoing institutionalised educational programmes of the state and of voluntary agencies with a welfare orientation.

TABLE 2: COMPARATIVE LITERACY IN THANE DISTRICT, 1961, 1971 AND 1981

	Literacy in General Population Excluding Scheduled Castes and Tribes			Literacy in Scheduled Caste Population			Scheduled Caste Population and Per Cent of Total Population	Literacy in Scheduled Tribe Population			Scheduled Tribe Population and Per Cent of Total Population
	Persons	Males	Females	Persons	Males	Females		Persons	Males	Females	
1	2	3	4	5	6	7	8	9	10	11	12
1961	477917	331629	146288	3435	2425	1010	22722	23353	19799	3554	500558
	(42.32)	(55.68)	(27.41)	(15.12)	(20.37)	(9.34)	(1.37)	(4.67)	(7.81)	(1.44)	(30.29)
1971	860573	551089	309484	13404	9085	4319	36170	53457	46330	7127	579538
	(51.66)	(61.74)	(40.01)	(37.06)	(47.86)	(25.13)	(1.59)	(9.22)	(15.79)	(2.49)	(25.40)
1981	1550731	954911	595820	36635	24064	12571	83825	105094	82416	22678	729424
	(61.09)	(69.90)	(50.83)	(43.70)	(54.08)	(31.97)	(4.71)	(14.41)	(22.34)	(6.29)	(21.76)

Note: Figures in brackets in columns 2-7 and 9-11 are literacy percentages of the respective populations.
Source: *Census of India*, Maharashtra, for various years.

EDUCATION AS POLITICAL ACTION

I have chosen three organisational formations Vana Niketan—Shramik Mukti Sanghatana Vidhayak Sansad—Shramjivi Sanghatana and Kashtakari Sanghatana because in their history over the last 10 years or so they illustrate movements over overlapping strategic options that are available to voluntary groups The first two initiated their activities with a developmental and perhaps even a welfarist orientation and then shifted emphasis towards political action for an alternate process of development The third appears to have launched itself quickly onto the plane of political action All three viewed education as part of concerted action for social transformation

The Vana Niketan was established as a rural development project in Murbad taluka Thane district in 1981 by four professional social workers This was a follow up to the field placement of students from the College of Social Work University of Bombay in 1979 80 The first few years were spent on surveys relating to education encroachments on forest lands and practitioners of herbal medicine Cultural festivals for the adivasis exhibitions and adult education centres were some of the activities during the early phase In 1985 a peoples organisation Shramik Mukti Sanghatana with a collective agitational thrust was formed and in early 1986 the Vana Niketan discontinued its relation as a demonstration project of the College of Social Work but continued as a newly registered development organisation

The organisation has presently spread its influence from Murbad taluka over the neighbouring Kalyan and Shahpur talukas and works among the Thakur Katkari and Mahadev Koli adivasis in that order of importance It works in 90 hamlets spread out over 40 villages through Shramik Mandals or village committees Four adivasi full time activists, apart from five adivasis who work part time and three middle class activists, devote their energies to the organisation Much emphasis is placed on popular initiative through collective decision making where the process of forging a strong peoples movement with enlightened local leadership is considered more important than the outcome of that process in immediate economic gains The organisation is active on issues relating to land, rights to the forest enforcement of the minimum wage the employment guarantee scheme, the freeing of bonded labour, drinking water facilities in adivasi villages health and culture Apart from the social awareness generated on these issues through village meetings and demonstrations education is carried on in a more structured manner through 10 non formal educational centres and five balwadis in co operation with the Gandhi Trusteeship Foundation Bombay Fifteen training camps for adivasi youth and eight for women in particular have been conducted Science awareness marches have been organised with the assistance of the Peoples Science Movement Bombay The focus of these marches is on ending superstitious practices on environmental education and on fostering a scientific outlook [10]

A recent joint initiative of the Shramik Mukti Sanghatana and the Peoples Science Movement has resulted in preliminary work towards setting up a school –Jeevan Shikshan Shala for non school going adivasi children 12 to 13 years of age By this age most children are forced by circumstances to become regular agricultural labourers in the region The aim of the school is to give opportunities to the children who have been deprived of education to prepare them to face a life full of struggles at all levels and to take decisions of their own to solve the problems of the community" [11] The work will initially concentrate on Murbad taluka and hopes to spread to the district with the assistance of other mass organisations The total duration of schooling will be 30 days, split up over four units of six days each, held in different hamlets followed by three follow-up camps of two days each Twenty boys and twenty girls have been selected for training during a workshop for children held from May 9 16, 1988 when about 60 children had turned up The topics selected for the school are Literacy and numeracy that will provide basic reading ability and the arithmetics of adivasi monetary transactions measurements of length area and time and map reading

The anatomy of humans and animals leading to an understanding of health illness and medicine man's relation with the environment and the issues of health and deforestation ensuing from a break in these relations

The social history of the adivasis their cultural traditions man the producer forest and agricultural practices and government schemes for the adivasis

The themes as may be observed cover the broad framework of literacy numeracy basic functionality and social awareness and in a manner that would be relevant to an adivasi context Fortnightly meetings and field visits for the volunteers of the People's Science Movement are being held from July 17 1988 as a preparation for the non formal school that will be held in four sessions from December 1988 to May 1989

The Vidhayak Sansad is a registered trust started in 1979 with the aim of rural development with social justice Starting as a health centre based in Dahisar village and serving 12 villages in Vasai taluka in Thane district, the organisation has spread its activities to the Bhivandi and Wada talukas, in addition to Vasai Its work is among the Warli,

TABLE 3 DISTRIBUTION OF STUDENTS OVER STANDARDS IN PRIMARY SCHOOLS KULAMBI VILLAGE 1970 1980

Standard	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	Total
Patil pada primary school												
1st	10	12	13	13	15	12	15	17	15	18	22	162
2nd	7	6	4	4	6	9	8	3	9	7	8	71
3rd	4	1	4	4	4	4	9	4	4	4	2	44
4th	2	3	4	4	5	6	3	5	4	1	2	39
Total	23	22	25	25	30	31	35	29	32	30	34	316
Appeared for 4th exam	2	3	3	4	5	4	2	5	3	1		32
Passed 4th exam	2	1	1	3	3	3	1	3	3	1		21
Wadi pada primary school												
1st	8	8	8	13	13	17	15	13	15	18	17	145
2nd	10	8	5	5	6	6	8	11	6	6	10	81
3rd	7	8	5	4	4	4	6	4	5	4	6	57
4th	3	4	8	3	4	3	3	4	4	2	3	41
Total	28	28	26	25	27	30	32	32	30	30	36	324
Appeared for 4th exam	1	4	8	3	1	3	2	4	2	1		29
Passed 4th exam	1	1	2	3	1	2	1	2	2	1		16

Source 'Primary Schools in Kulambi Village in D Saldanha op cit 1984, p 503

Mahadev Koli and Katkari adivasis in that order of importance. Apart from the health centre, a creche for the children of working women, balwadis, libraries for children and adults, income generating schemes like baskets, poultry and [illegible] were some features of the [illegible] of the programme.

The [illegible] adivasis [illegible] individuals [illegible] soon confronted with the [illegible] economic context of their [illegible] the [illegible]. The major problem [illegible] the social relations of production [illegible] of bonded labour and [illegible] education among the adivasis. After [illegible] Shramjivi Sanghatana [illegible] in 1983 and addressing the problems of agricultural labourers and marginal farmers, 896 families have been so far relieved from debt bondage through a mix of agitation, [illegible] appeal through the media and [illegible] and supportive measures for the released adivasis. The thrust of intervention gradually shifted from an individuated self-first approach to a development approach which while attempting to provide inputs or use the forces of production for confronted the exploitative social relations through collective self assertion. The organisation suggest that accompanying this conflictual process [illegible] of alternatives to individualised agricultural subsistence were attempted by way of co-operative production units for brick making and horticulture, grain banks to tide over the lean months and social reform measures like group marriages and drives against alcoholism to counteract indebtedness. To encourage local participation and leadership 107 village committees have been set up and training camps have been initiated. The organisation has at present six full time adivasi activists and four non adivasi ones from the urban middle class.[12]

How does the forum relate to education? I think it is through the generalised critical social awareness that is generated through the process of struggle for collective development and the specialised study camps for adivasi leadership. These camps were organised in the month of September, October and November from 1988 onwards for three days each month. 127 adivasi activists have been trained, the vast majority of whom are illiterate and without any formal education. A participatory approach based on a collective critical review of social experiences was a characteristic of these camps. It had the advantage of generating solidarity in the process of a search for solutions and directions. By moving from the concrete to the abstract in a collective process of critical thought, the camps attempted to and from all indications succeeded in bridging the gap between the individual and the collective, between thought and action in the process of transforming the actual situation. The broad topics covered and in an order of abstraction and generalisation were questions related to land, issues in dealing with the police and the courts, the government's development schemes and local geographical knowledge. The local self governing bodies such as the gram panchayat, panchayat samity and zilla parishad and the mechanisms of exploitation were a second set of subjects of greater complexity. The sessions would end with an introduction to scientific observation through dissection of animals and the use of the telescope and microscope. Selected activists trained in one programme served as trainers in succeeding camps. The trainees were given action oriented tasks to be performed at the police station, gram panchayat office, the revenue office and the village school.[13] The trainees who emerged from the camps were centres of a ripple effect which spread at the village level to varying degrees through informal discussions and meetings with the village committees.

There is no direct emphasis on literacy at the camps except for the capacity to sign one's name. The walls of the huts around the training camp are covered with symbols, models, graphs, slogans and pictorial illustrations. The adivasi trainees, the vast majority of whom are illiterate, are given a pencil and notebook and encouraged to fill it up. This provides an initiation into the symbolic systems implicit in literacy and numeracy. Group songs, games, group report writing, role plays and dramatisation are other modes of instruction that are used in a context of illiteracy and a consequent limited capacity for abstraction. The non adivasi activists of the Shramjivi Sanghatana believe that critical awareness creates the social basis for a felt need for literacy. That basis exists at the moment and the next step would be to move on to literacy. The trainees have already experienced the need for literacy and seek it out through literate members of their village community. As one literate activist put it: If social awareness is lacking, consistency in attending a literacy programme becomes difficult for the adivasi. If we organise the literacy classes now (i.e. after the social awareness training) we will get a tremendous response.

Education understood in its most meaningful sense, is the generation of a critical social awareness, is intimately interwoven with the activities of the Kashtakari Sanghatana. The organisation sums up its activities in five basic concepts: janashiksha, janjagruti, janakarya, janasanghatana, janashakti: people's education, generating people's awareness, expressing itself in people's action, leading to people's organisation and finally culminating in people's power.[14] The salutation of the raised closed fist came to symbolise and reinforce these five principles. The organisation was initiated in a context and to a large extent as a result of people's education. It continued for the first few years after its founding in 1978 with an intensive educational programme linked to action. Repression from the state, the dominant landlord trader moneylender class in the region and from an unexpected quarter, a competing and earlier mass organisation in the region, the Kisan Sabha (CPI M), forced it to cut down on many of its activities and to take a defensive stance after 1982, especially in Talasari taluka. Innumerable court cases have also contributed to draining the energies and the meagre finances of the cadres, deviating their attention from more urgent tasks. Its influence is presently to be found in the Dahanu, Jawahar and Mokhada talukas and predominantly among the Warli adivasis.

During the initial years, weekly meetings used to be held in the villages with the adivasi men and women. The discussions would be in the form of a collective analysis of the context and causes of poverty, an understanding of self worth and the need to take individual and collective responsibility for changing one's conditions. Two day camps, youth festivals of a longer duration, special camps for women and meetings with other activists organisations such as the Bhoomi Sena in Palghar taluka and the Shramik Sanghatana in Shahada taluka, Dhulia district were some of the activities during the early phase. The organisation visualised adult literacy, health camps and agricultural training camps as building on this social basis of critical awareness, responsibility and action. It explains its educational philosophy thus:

> The fundamental objective of all this education has been to encourage the people to posit an act of freedom: the free process of education does not domesticate the mind and the will of the learner as happens in the course of formal education. We want our education to be the starting point of freedom. The awareness which takes place in the process of people's education that takes place continually is also understood in an act of affirmation, the act of affirmation of confidence in oneself. Hence the awareness begins with the discovery of each person as a dignified human person. In the festivals we call it the theory of self image. The image the people have of themselves is what determines their behaviour and so a people acting for freedom must begin to understand themselves as free human beings, people whom the bondage of poverty and deprivation, the marginalisation and dehumanisation will not crush. The awareness of the human person leads to the discovery of the dignity of the other person as well.[15]

Action resulting from understanding led to a second act of affirmation, that of a sense of identity with the Kashtakari Sanghatana. The organised or spontaneous actions of the people have been classified in the following manner:

(a) stop illegal moneylending;
(b) recover money illegally taken from the people by moneylenders, shopkeepers, merchants etc.

(c) recovery of unpaid wages by grass merchants, forest contractors labour contractors etc

(d) resistance and demand for stopping acts of beating harassment by shopkeepers merchants etc and

(e) resistance to high handed behaviour of shopkeepers supervisions of landlords etc [17]

Other types of issues actions have been to establish rights that are due to the people under the various development schemes of the government to resist the extortions of government officials especially those of the police revenue and forest departments the alienation of adivasi lands to the landlords and traders to ensure work and wages under the Employment Guarantee Scheme (EGS) of 1977 issues related to the forest as the regularisation of adivasi encroachments on the forests commercial deforestation and social forestry the formation of common platforms with other organisations on issues related to the EGS state repression on the somers question and on the regularisation of forest lands the anti drunkenness drive and finally the attempt to establish alternate forms of co operative savings through committees to settle internal disputes through seed banks mutual labour assistance forest cultivation and group marriage All these actions have been accompanied and followed by reflection in informal village group in meetings of village committees and in those of co ordination committee of the organisation

The method of education are lectures group discussions case studies simulation exercises and role plays Skits songs recitation of stories and the use of symbols are cultural activities that are integrated into the education programmes The following is a vivid record of one of the simulation exercises that has been used to stimulate analysis of concrete everyday experience and action

> A skinny scantily dressed woman joins the group She walks noiselessly and overingly around the circle clutching a lump of earth protectively She stumbles once or twice manages to regain balance The third time she slips she falls the lump of earth from her hands goes crashing to the earth and crumbles Painfully she tries to draw the fragments together but unable to do so In desperation she makes four piles near one she places a bottle near the next one money beside the third she places few grains of paddy and the fourth she leaves and holds carefully to her bosom She lies prostrate for some time and then withdrews The effect is electrifying The participants watch in stunned silence, from somewhere in the circle a stifled sob is heard Slowly and painfully they begin to respond One crushes the money beneath his heel symbolic of driving the moneylender away another kicks the bottle, doing away with drink a third attempts to collect the mud he is joined by another and yet another—symbolic of the collective attempt to regain the land To Somwari and the others the challenge dawns take responsibility for your own life unite to change the present to ensure a better future There is no indecision Somwari becomes one with the Kashtkari Sanghatana

The organisation places heavy emphasis on collective participation in the process of planning execution and reflection on actions seeing it as a process of peer group learning rather than a programme from the top The non adivasi activists in the organisation are aware of the problems of political education in a context of a culture of illiteracy reinforced by socio economic exploitation as may be seen from the following record

> With the bulk of the members and a considerable proportion of the village cadre being illiterate the theoretical formation of the cadre and the political education can take place only by word of mouth Further the adivasi language being relatively simple with few if any conceptual terms communication of concepts becomes difficult The third factor being the simplicity of the people which necessitates the over simplification of complex theoretical matters The combination of the three making the process of political education tedious and slow Every matter needs to be explained nothing can be left for private reading and study [18]

In August 1986 the organisation arrived at a political understanding with the Lal Nishan Party This has effectively given it some legitimacy in the eyes of the rival organisation the Kisan Sabha (CPI M) and has reduced the tension between the two The Kashtkari Sanghatana has recently proposed to build on the basis of the political awareness gained in the process of struggle for the eco political rights of the adivasis through a more intensive focus on alternatives especially in the areas of adivasi medicine forestry and education

As a step toward an alternate co operative health programme the organisation plans holding a training camp from March 25 to April 24 Two representatives from each of 10 village health collectives consisting of 20 families each have said have an opportunity of interacting with practitioners of ayurveda acupuncture and homoeopathy so as to supplement their traditional skills in jungle medicine This alternative which is considered meaningful based on peoples resources and manageable by the people hopes to incorporate the skills of the bhagat the adivasi medicine man [19]

The organisation also visualises a non formal educational programme that would be close to the cultural and economic context of the everyday life of the adivasis Fables that are part of the oral tradition among the adivasis and illustrate the conflicts faced by them have been picturised by the adivasis in their local art form These will be used as the medium and the basis of a literacy programme that will be articulated with the informal teaching learning situations and socialisation processes in the culture of the adivasis, and the conflicts experienced at the level of the social relations of production The following are samples of two fables which convey the popular understanding of how through liquor and money-lending two communities of non adivasi settlers in the region expropriated the adivasis of their possessions and their very persons

> A tribal managed to keep the messengers of Yam (God of death) at bay The forest was his ally in the task Yam angered at the disappearance of his messengers was intrigued as to how it could have happened But he was at a loss as to how it happened He decided to come down to earth in the form of a Parsee He set up a khomar (liquor distillery and shop) in a tribal village and offered liquor to the tribals News of his munificence spread far and wide and there were willing guests The tribal together with his father in law heard of the Parsee's bounty and decided to visit the liquor shop While they sat and drank the Parsee listened to the idle chatter of his guests From the boasts of the drunk tribal he learnt of the trick by which the messengers of Yam had been fooled and imprisoned in the forest The Parsee challenged the drunk tribal to give proof of his feat In a stupor the tribal led the Parsee to the forest and reveled the secret The Parsee then shed his disguise his messengers rushed out and grabbed the spirit of the tribal and went back to their heavenly abode
>
> The Marwari or Vani moneylender is portrayed as a bandicoot who meets a woman returning from the forest with a headload of firewood He requests the woman to take out a thorn imbedded in his tail While taking the thorn out the rat tail breaks As compensation the rat offers her sickle He offers the sickle to a man splitting bamboo with his teeth When the sickle breaks he takes away the baskets that the tribal man was weaving He offered the basket to yet another tribal farmer who was carrying the grain from the threshing floor in a leaf When the basket breaks after use he takes away the drinking water pot The pot is offered to another set of farmers who lack the means to carry water to their fields On breaking the pot the rat takes away the produce of the fields which he offers to yet another family who are starving The food is consumed and the rat takes their cattle in exchange He comes across yet another tribal who is forced to use his wife as a beast of burden to pull the plough He offers a bull When the bull finally dies the rat walks away with the tribal's wife [20]

It is hoped that a literacy programme based on popular common sense and linked to the ongoing struggle for exercising political control will be an added weapon in the process of social transformation

CONCLUSION

The theoretical argument which emerges from the foregoing data gathered from field visits interviews observations and secondary sources may be briefly stated as follows

The vast majority of the adivasis in Thane

district, as a result of a historical process of economic domination by landlords traders forest contractors and creditors find themselves today as indebted agricultural labourers who are seasonal migrant workers in grass cutting and in the industrial informal sector [illegible] who are unable to eke out a subsistence level of living [illegible] their uneconomic holding [illegible] rain fed agriculture and finally [illegible] who are bound in [illegible] tual arrangements [illegible] ness The inequitous [illegible] economic level are parallel [illegible] by a process of cultural [illegible] education [illegible] hegemonic [illegible] and allocate the [illegible] within a trajectory of [illegible] agriculture [illegible] industrial [illegible] destruction [illegible] commercialisation [illegible] turally [illegible] economically polarised [illegible] of transmission of knowledge [illegible] plantation [illegible] adivasis [illegible] tion [illegible] are allo[illegible] in the [illegible] social [illegible] tional [illegible]

Formal [illegible] provide a certain [illegible] text [illegible] could be an initiation [illegible] middle [illegible] status and functioning especially for the few who are second generation learners in the formal system The vast majority of adivasis look on the formal education system with [illegible] critical that the [illegible] relevant to their immediate needs [illegible] symptoms of this [illegible] of non enrolment [illegible] drop out cumulatively manifested in illiteracy Illiteracy in this particular adivasi context may be seen as a rational strategy for survival in the context of subsistence agriculture [illegible] withdrawal from an alien system which in its context content and mode of transmission of knowledge is considered unrelated [illegible] cultural demands and as an act of [illegible] and preservation of cultural identity

The majority [illegible] to the more spontaneous unstructured teaching learning processes that are built into the [illegible] life socialisation and their [illegible] survival within conditions below [illegible] These are for instance the transmission of agriculutral food gathering [illegible] skills within the domestic [illegible] level of economic production the [illegible] and child rearing skills transmitted through the 'dai' at the level of biological and social reproduction and at the level of cultural reproduction the role of the bhagat in giving a sense of ethnic identity to the people through rituals at various ceremonial occasions enchantations related to the agricultural cycle and through his practice of herbal medicine P Prabhu and V Suresh,[22] activists of the Kashtakari Sanghatana observe that the socialisation of the adivasi children is free from enforced discipline and corporal punishment Organic learning takes place in the company of older children and adults At the age of 4 5 they function as [illegible] (child sitters) then become govari (cowherds) at the age of 8 9 The boys soon graduate to being nangrya (ploughmen) and fishermen and the girls to mature female roles such as collection of fodder firewood and manure sowing weeding transplanting harvesting and winnowing Disputes and negotiations are settled publicly thus providing learning experience at a tender age The informal teaching learning situations involving the communication of knowledge are considered directly and immediately relevant

There exists a range of educational efforts attempting to confront the problem of adivasi illiteracy in Thane district There is no basic difference between the formal educational institutions of the state local self governing bodies and those of the voluntary social welfare institutions A social welfare approach that visualises education [illegible] an exercise of patronage of individualised beneficiaries who are objects of a process of transmission of knowledge is a common characteristic of both these efforts Among the latter institutionss one might find a few noteworthy attempts to bridge the contradictions at the level of culture by integrating elements of adivasi practice into the educational programme and to relate education to the economic needs of the adivasis by taking education to their doorsteps and imparting training in functional skills Some of them are marked by their humanitarian concern for identifying and nursing a minority of adivasis through the educational system Religious and political ideologies play an important part in these educational efforts from above and the adivasi objects of patronage become show pieces and dependable clients entrusted with the task of winning over a wide circle of clientele from among the adivasis However both state and voluntary social welfarist efforts in education in the region have in common a near total neglect of the contradictions of the social relations of production which form the real context of adivasi agricultural subsistence These contradictions find no reflection in the context content and mode of transmission of knowledge in formal education In fact despite the humanitarian concern the effective thrust is towards weaning away a minority from the process of resolving these contradictions Voluntary effort in institutionalised education in the region may be seen in effect as a more efficient instrument than that of the state for the social reproduction of the relations of production along the lines of the state sponsored strategy of development

If the essential components of the Adult Education Programme—literacy-numeracy, functionality and social awareness—may be understood in a general, conceptual and symbolical manner as the basic windows to fields of knowledge and hence as integrating principles of even the formal educational curriculum then the educational efforts of state and welfare agencies may be seen as having a major focus on literacy numeracy with some degree of functional allocation within a differentiated and alien system to the total neglect of action for social transformation based on critical social awareness and political assertion of identity The foregoing analysis and what follows might suggest an implicit continuum within the educational process (1) From the ritualisation of a symbolic system and its knowledge content involved in the transmission of literacy numeracy and a special area of focus of the state's social welfare approach to education (2) to the communication of a technologically relevant knowledge with the function of allocating to middle class professions within an inequitably structured *status quo* as may be found in a few innovative attempts in voluntary welfare agencies that combine literacy numeracy with some degree of functionality (3) and finally and in a manner suggesting a break in the continuum the generation of awareness of the conflicting context of survival for the adivasis its causes and alternatives as implicit in social awareness and which forms the primary concern of the non party political groups in the region One might then see that the levels of voluntary mediation between state and society correspond to preferred educational developmental thrusts

In contrast to the social welfarist approach to education one sees the educational efforts of the non party political groups in the region focusing on social awareness The former is confronted with the dichotomy of on the one hand providing the adivasis a selective access to an elitist good education geared to and emanating from industrial and urban contexts (an example is the Navodaya Vidyalaya approach) within the constraints of finance and the limited capacity of the economy to absorb this educational output and on the other in its search for relevance offering a watered down education appropriate to the needs of adivasis in their present location within a sharply polarised rural and agrarian structure The approach of the political groups offers a perspective for resolving some of these contradictions which are confronted by the more institutionalised formal educational process at the cultural and economic levels of adivasis existence by linking education to the political act of social transformation along the lines of an alternate development strategy They see their educational programmes as offering a critique and a possible corrective to the more formalised processes of transmission of knowledge Some of these organisations—Vana Niketan/Shramik Mukti Sanghatana,

Vidhayak Sansad/Shramjivi Sanghatana have initiated their efforts on an economic developmental plane by attempting to provide training technological and organisational inputs within the stagnant forces of production This has been done in a participatory and collective manner They soon moved to a political plane as they were confronted with the need to resolve through agitational means the contradictions of the social relations of production which enmeshed the lives of the adivasi This demanded a change in organisational structure and linkages with sister organisations being created The Kashtakari Sanghatana appears to have started directly with a more political and agitational thrust resulting in heightened repression All these organisations laid heavy emphasis on the generation of a critical social awareness through group discussions in the villages and training camps for activists

These processes are not self contained educational in character in a formal sense but contain an inbuilt component of transmission of knowledge technological skills and social awareness a part of a formalised process of social transformation They have visualised knowledge to be not only an instrument of harmonious settlement over the environment for greater economic returns but also as a means for empowerment through critical awareness and participatory organisational form Social transformation is itself seen as an informal process of education The very variety of these developmental processes and their immediacy to the needs of the adivasi renders them articulated with the life of the people so that ironically they no longer may appear as educational

The non party political groups by mobilising around adivasi cultural identity on economic issues related to their subsistence agriculture and through critical awareness organisation and political action for social transformation - attempt to link the political with the cultural and economic They thus offer a perspective for resolving the contradictions between and at these levels faced by formalised adivasi education Above all they create a climate of critical social awareness and political action which generates a felt need for literacy numeracy and functionality in a more relevant formalised educational programme The major question is Can in the process of transmission of knowledge and competence be evolved which critically questions and mobilises to action in the very process of transmitting accumulated human reflection on the socio economic context of people relation with their environment? One sees the efforts of these political groups as a tentative answer to this question These non formal educational processes in adivasi regions suffer from an illegitimacy in comparison with the more formalised systems of education They are after all attempting to set in motion an alternate hegemony whose future will be decided by a historical process 'Science' can definitely lend its critical support to these 'commonsensical' approaches to the 'socialisation' of critical thought

Notes

[I am grateful to S Parasuraman and K Ravindran for their assistance with the tables and S Sreenivasan for her comments on the paper Needless to add I alone bear responsibility for the errors that persist and the positions taken

The original version of this paper was presented at the national symposium on Education and Democracy organised by the Nehru Memorial Museum and Library New Delhi October 10 12 1988]

1 The theoretical formulation underlying this paper has been inspired in part by a reading of A Gramsci especially the *Selections from the Prison Notebooks* edited and translated by Q Hoare and G N Smith New York International Publishers 19 1 The concepts of hegemony and of science in its relation to common sense are used in the Gramsci an meaning of the terms interpreted in the context of the field situation in Thane district For a theoretical and methodological discussion of the use of the concept see D Saldanha Antonio Gramsci and the Analysis of Class Consciousness Some Methodological Considerations *Economic and Political Weekly* Vol 23 No January 30 1988

2 I have drawn on the classification of voluntary agencies provided by Harsh Sethi Group in a New Politics of Transformation *Economic and Political Weekly* Vol 19 No February 18 1984 which is (a) religious and charity organisations (b) developmental groups (c) groups engaged in organisation organisation politics and political education and (d) protest group and related activities I have added to the classification to suit the text as will be seen in the text The classification (c) might be better termed as socially liberal agencies as in practice seen as a function of state functions Category (b) developmental groups has been retained and (c) and (d) might be better under stood as concerns into non party political groups The classification is not static and exclusive as has been pointed out by the author with reference to movements in Maharashtra [illegible] as seen in the [illegible] discussed in the [illegible]

3 For a detailed social history of adivasis in Thane district see D Saldanha *A Socio Psychological Study of the Development of Class Consciousness* Department of Sociology University of Bombay 1984 pp 160 ff (Ph D thesis)

4 D Symington *Report on the Aboriginal and Hill Tribes of the Partially Excluded Area in the Province of Bombay* Bombay Government Central press 1939 pp 4 48

5 Directorate of Economics and Statistics Government of Maharashtra *Socio Economic Review and District Statistical Abstract of Thane District* Bombay 1981 82 p 24

6 Data provided by the education office Thana Zilla Parishad Thana 1989

7 Directorate of Education, Maharashtra, Pune, General Population Tables, Part II-A, 1981

8 D Saldanha 1984 op cit, pp 502 505

9 Transcience and Transition in Social Institutions The Warli Experience', Kashtakari Sanghatana 1987 pp 31-32 (unpublished)

10 This information is gleaned from Van Niketan *The New Man has to be Created*, Murbad Van Niketan 1988 (a booklet in Marathi) and interviews with T Tulpule and V Sathe A video documentation of the activities of this and the other two organisations is also being undertaken

11 Circulars from People's Science Movement, Bombay Jivan Shikshan Shala dated 6 7 88 and 22 8 88

12 The foregoing information is drawn from Vidhayak Sansad *Rural Reconstruction A Joint Venture of Vidhayak Sansad and Shramjivi Sanghatana* Dahisar Tal Vasai Vidhayak Sansad 1986 (approx)

13 This brief description is derived from D G Prabhu Activists Collective Study Camps Effective Weapons for Social Change *Sad Padvatun* Vol 1 No 6 May 198 (in Marathi) Interviews with V Pandit D G Prabhu and observations of group discussions and training camps helped to complete the picture

14 This and the following quotes and information on the Kashtakari Sanghatana are drawn from The Kashtakari Sanghatana *Review of the Past Twenty Two Months Historical Survey of the Activities of the Sanghatana* 1980 p 1 (mimeographed)

15 Ibid pp 3

16 Ibid p 6

17 P Prabhu Breaking the Silence (Aakrosh) 1981 (approx) mimeographed article from the unpublished files of the Kashtakari Sanghatana

18 The Kashtakari Sanghatana *The Perspective* 1987 (approx) p 28 (mimeographed)

19 Kashtakari Adivasi Brothers and Sisters of the Thane Region A One Hearted and United Call of the Lal Nishan Party and the Kashtakari Sanghatana August 1986 (a leaflet in Marathi)

20 An undated leaflet on the subject brought out by the Kashtakari Sanghatana

21 P Prabhu and V Suresh Transcience and Transformational Institutions The Warli Experience Kashtakari Sanghatana 1987 p 20 (unpublished)

22 Ibid p 9

Economic and Political Weekly

Uttar Pradesh

Culture and Subaltern Consciousness

An Aspect of MGR Phenomenon

M S S Pandian

This essay is about how dominant ideologies succeed in the terrain of struggle and produce consent among the subaltern classes. This process is illustrated by exploring the screen image of MGR and its insertion in the pre existing common sense of the subaltern classes in Tamil Nadu

I

SOCIAL [illegible] Marxist [illegible] tial advance [illegible] of protest [illegible] establishment [illegible] volumes on [illegible] by A R Desai [illegible] of subaltern [illegible] [1982 1983 [illegible] and 1989] would [illegible] achievement

To study [illegible] and revolt is to enquire into the counter hegemonic projects of the subaltern [illegible] Whilst it is no doubt important [illegible] counter hegemonic [illegible] and [illegible] from them it is equally important to recognise that such projects are few and far between in time and [illegible] In other words the dominant reality has been one of the subaltern classes accepting the hegemony of the elite through [illegible] the elites and emulation of elite [illegible]

However there is hardly any study on how the ruling elites produce consent from the subaltern [illegible] situation This lack in the [illegible] already been pointed out by some [illegible] Sarkar 1984 Patnaik 1988] The present essay takes this as a point of departure and makes a modest attempt to explore into subaltern consciousness while under hegemony through a [illegible] study of the immense popularity enjoyed by the late M G Ramachandran (MGR hereafter) among the people of Tamil Nadu

There are specific reasons for choosing the MGR phenomenon as a concrete instance to analyse the problem The eleven year rule of MGR did not [illegible] any particular structural changes in the economy to benefit the subaltern classes in Tamil Nadu Their material conditions indeed worsened during this period [MIDS 1988] On the other hand his government ruthlessly used the state machinery to put down even the mildest of protests from workers peasants fisher people teachers government employees etc Also, his rule diluted unrecognisably the cultural gains achieved by the subaltern classes due to the drawn out struggles of the Dravidian movement during its early progressive phase Given this one would expect that the subaltern classes would have resented MGR's politics On the contrary MGR enjoyed a stable if not growing popularity among the poor in Tamil Nadu throughout his tenure in office His party polled a third of the total votes in every election and his followers exhibited an almost personal bond with him throughout When he died on December 24 1987, several lakhs of people converged in the city of Madras and his funeral witnessed an unprecedented spectacle of grief Besides, thirty one of his followers committed suicide[3] Thus the ascribed consciousness and the actual consciousness of the subaltern classes are substantially divorced in Tamil Nadu[4] For this reason an exploration into the MGR phenomenon would further our understanding of how the elite produce consent among the subaltern classes

Moreover there exist only a few studies on the MGR phenomenon [Hardgrave Jr 1979 Samuel 1983 Thandavan 1983 Sivathamby 1981] All these studies except Sivathamby's are empiricist sometimes adulatory and do not raise questions concerning the subaltern consciousness *vis a vis* the MGR phenomenon (This is a secondary reason for taking up the MGR phenomenon for the study) However I must hasten to add that the essay is not going to explore all aspects of the MGR phenomenon The phenomenon being multi layered and complex we would take up only one of its aspects for analysis How a specific image of MGR was presented on the screen where in the cultural mosaic of the subaltern classes this image is rooted how and why this image became popular and what is the nature of its ideological content

II

Before we embark on a discussion of the phenomenon itself it is important to spell out a few things about the central analytical category employed in the essay i e the category of common sense of the philosophy of the non philosophers developed and elaborated by the Italian Marxist Antonio Gramsci Gramsci developed the category of common sense as a critique of the Enlightenment tradition which held the worldview of the common people as devoid of any sense and at the same time as a critique of the pre Enlightenment tradition as well which celebrated their worldview as *the* philosophy[5]

According to Gramsci common sense is the ensemble of cultural presuppositions by which the subaltern classes make sense of the world they live in This worldview or consciousness is pre theoretical unsystematic incohate and contradictory In Gramsci's words [1973 419] Its (common sense's) fundamental characteristic is that it is a conception which even in the brain of one individual is fragmentary incoherent and inconsequential in conformity with the social and cultural position of those masses whose philosophy it is This consciousness is primarily dominated by sediments of the ideologies of the elite

> this same group [subaltern class] [illegible] for reasons of submission and intellectual subordination adopted a conception which is not its own but is borrowed from another group and is affirm the conception [illegible] and believes itself to be following it because [illegible] the conception which it follows in normal times that is [illegible] not independent and autonomous [illegible] sive and subordinate [Gramsci [illegible]]

However common [illegible] carrying [illegible] ideology [illegible] autonomous [illegible] them [illegible] when [illegible] against the elite [illegible] flashes

> [illegible]

The contradictory character of common sense gives it a certain plasticity i e it can be selectively appropriated and reconstituted by different political forces Given Gramsci's own political concerns he suggested that any movement of the people should develop a critique of the common sense by basing itself initially however on common sense in order to demonstrate that every one is a philosopher [Gramsci 1973 330] and it should make the good sense or the progressive elements within the common sense more unitary [illegible] coherent[6] In other words [illegible] in this meaning of common sense [illegible] not just an instrument of domination or a set of false beliefs Rather it is a terrain of struggle It is the site on which the dominant ideology is constructed but it is also the site of resistance to that ideology' [Simon 1987]

The present essay is about how dominant ideologies succeed in this site of struggle and produce consent among the subaltern classes This process is illustrated, as we have suggested already, by exploring the screen image of MGR and its insertion in the pre-existing common sense of the subaltern classes in Tamil Nadu We shall begin with how MGR's image was constructed in films

III

Varanthira Rani (a popular weekly with circulation of about 3 lakh copies) predicted, in its issue dated February 15, 1987, that the then Tamil Nadu state assembly would be dissolved and fresh elections held. Though the prediction proved wrong, the basis for this prediction was itself interesting and significant. The prediction was made in the knowledge that new prints of MGR starrers were being produced.[7] MGR films were repeatedly screened during election campaigns, and All World MGR Fans Association (which had about 10,000 branches in Tamil Nadu) served as the backbone of AIADMK.[8] MGR himself openly admitted: "Fans Association and party are not different."[9]

There has always existed a symbolic relationship between films and politics of Dravidian parties in Tamil Nadu. While this may sound like a truism, it is yet important to detail the modes through which films have sought to intervene in politics. This has happened in one of three ways. There have been films that have indulged in direct political propaganda, for instance, *Pura hakthi*, *Velaikari* and *Oor Irasu*. More usually, reference to party symbols and anagrammatic usage of party leaders' names in songs and in the course of dialogues has been a common feature of DMK-style political propaganda. An interesting third usage has been the mixing of documentary footage with shots of the actor in film in question. In *Punam* and *Thangapathakkam*, during the course of a dialogue sequence, as an answer to a query, the scene shifts to reveal documentary shots of DMK Party conference. And, of course, M K Karunanidhi and C N Annadurai were film script writers and there has been no dearth of film personalities being involved in party politics in Tamil Nadu. In fact, film actors became ministers with N S Krishnan, K R Ramaswamy, S S Rajendran and, of course, MGR. They always drawn crowds, especially to party conferences.

MGR began his acting career in film in 1936 with Ellis R Duncan's *Sati Leelavati*. His acting spanned forty years and 136 films, and for the first twenty years he, by and large, acted in mythological roles.[10] Only from the late 1950s he was seen in social roles, achieving recognition in this regard with *Thirudathe* (1961). Henceforth MGR's screen roles comprised several stereotyped characters, all of which constituted MGR.

A characteristic MGR role was that of a working man combating everyday oppression. Thus he had acted as a peasant, fisherman, rickshaw puller, carter, hackney taxi driver, quarry worker, shoe-shine boy, cowherd, etc. In fact, many a successful MGR films were titled thus: *Thozhilali* (1964) (worker), *Vivasayee* (1967) (peasant), *Padakotti* (1964) (boatman), *Mattukara Velan* (1970) (cowherd Velan), *Rickshaw karan* (1971) (rickshaw puller) and *Meenava Nanban* (1977) (fisherman's friend). Even in films where he assumes dual roles it is the subaltern MGR, who is given cinematic prominence. A striking example is *Mattukara Velan* (1970) in which he acts both as a cowherd and a lawyer. The cowherd outsmarts the lawyer throughout. Aptly enough the film was named after the cowherd.

These films are ostensibly about the oppression faced by the poor with MGR of course being constituted as one among them. By employing a carefully constructed system of *mise en scene*, these films celebrate his subalternity and create a mood for the audience to identify themselves with him. We shall cite just one such element of *mise en scene* here, that is food which constitutes the central concern of the everyday struggle of the poor. In *Thozhilali* (1964) MGR, as a manual worker, drinks gruel from an earthen pot, and licks pickle from off his fingers. In *Kanavan* (1968) he asks for *Neerakaram* (water in which previous day's cooked rice has been soaked) in his rich wife's house. In *Ninaithathai Mudippavan* (1975) he eats Ragi dosai, drinks *sukku kappi* (a hot concoction made of dry ginger, jaggery and water) and expresses his desire to have cold rice and cooked cereal. MGR's films endow these food items with a specific semiotic significance. It is immaterial whether the poor actually eat these kinds of food, though they often do. What is being presented here is a food sharing structure that integrates MGR, the Hero, with the subaltern masses. In *Mattukaru Velan* (1970) a cowherd MGR impersonates as a lawyer. When good food is served to him, he laps it up avariciously without bothering about the upper class manners, smearing his face in the process.[11] Along with food, other props like the design and colour of the costumes are also used to define MGR as a subaltern on the screen.

The social universe of the MGR films is an universe of asymmetrical power. At one end of the power spectrum are grouped upper caste men, women, landlord/rich industrialists, literate elites and, of course, ubiquitous male "I" of whom exercise unlimited authority and indulge in oppressive acts of power. At the other end of spectrum can be found the hapless victims – lower caste men, the landless poor, the exploited workers, the illiterate simpletons and helpless women. Power is seen as all pervasive, omnipotent and undifferentiated while its victims are always already meek, beaten and homogeneous in their suffering. Thus we have landlords who try to grab peasants' land [*Vivasayee* (1967)], rural rich who wield whips on farm hands [*Nenga Veetu Pillai* (1965)], moneylenders who exploit the poor [*Padakotti* (1964)], industrialists who dismiss workers at their whim [*Thozhilali* (1964)], avaricious men who desire others property [*Mukarasi* (1966)], city sleekers who leave poor rural girls pregnant [*Theier Thiruvizha* (1968)], casteists who don't allow their lower caste servants to enter their houses [*Nadodi* (1966)], married men who desire other women [*Vivasayee* (1967)], etc.

The conflict between these superordinate oppressors and MGR as a subaltern and its resolution form the core of his films. MGR in the course of the conflict appropriates several signs of authority of those who dominate. In a semi feudal social formation where a wide spectrum of everyday practices like speech, dress, body language and food are semiologically differentiated into signs of authority and deference, this appropriation of signs of authority by a subaltern is significant.[12] Let us take up three such signs which repeatedly and prominently appear in MGR films. They are: (a) the authority to dispense justice and exercise violence, (b) access to education and (c) access to women.

(a) He fights oppression as an individual, though belonging to a subaltern class. As Sivathamby [1981: 41] puts it: "the world of conflict exists as a world centred around the hero and his personal emancipation symbolises the emancipation from the social evil depicted. The odds he has to face and overcome in his struggle against injustice are insurmountable by ordinary mortals but he brings humanly impossible situation under control and establishes justice."

MGR's role as an individual justicer unfolds itself with particular emphasis on the stunt sequence that we present in any MGR film. These sequences are an articulated expression of his struggle against oppression. In unarmed MGR fights an armed adversary single-handedly or engages in fighting landlord's hirelings. For instance, in *Maadapura* (1962) MGR with a fractured arm in sling fights with a mafia chief. Also in quite a number of films MGR demonstrates his skills in the extremely popular rural martial art of *silambam*. The fast moving sequences are so popular that MGR fans can recount effortlessly how many of them are there in different films and provide graphic details of them. Every time a new MGR film is released, film magazines carry letters from MGR's fans expressing their admiration of MGR's fighting skills.[13]

It is not just that MGR fights exploitation and oppression but he is always invincible in his struggle. He can only win and he wins with remarkable ease. He can bend crowbars and mauled ferocious tigers with bare hands. In fact, MGR's invincibility has become a byword in popular consciousness and MGR himself has acquired cultic power. For example, in *Mangal Kayiru*, a non MGR starrer, it is significant that a cowardly character inspired by MGR appearing with a whip in his hand in the poster of a hit film of seven years (*Enga Veetu Pillai*) is suddenly transformed and beats up and defeats the villain [Samuel 1983: 272-73].

MGR's role as a subaltern hero fighting for justice reveals two aspects. First, MGR appropriates to himself the right to dispense justice. Secondly, he appropriates the right

to employ physical violence. Both are in real life monopolies of the elite.[15]

(b) The second sign of authority of the superordinate classes which MGR appropriates on the screen is education, literacy. In *Padakotti* (1964) MGR is the only literate fisherman in the whole fishing hamlet. In *Thai Thai* [illegible] the first post-graduate [illegible] plantation worker [illegible] (1965) MGR [illegible] *Thotta* (1966) [illegible] (1973) [illegible] literate. In [illegible] MGR [illegible] and [illegible] education.

In MGR [illegible] *Padas* [illegible] fisherman [illegible] prominent [illegible] their [illegible] In MGR [illegible] the [illegible] education [illegible] In [illegible] (1966) MGR [illegible] expo[illegible] the [illegible] people [illegible] to [illegible] education.

(c) The third sign of authority which MGR appropriates on the screen is access to women. In real life [illegible] the landlord [illegible] and have [illegible] access to and control over [illegible] women of subaltern [illegible] emphasis [illegible] women from [illegible] MGR defies this norm. In his films he [illegible] offer a poor man [illegible] rich woman [illegible] upper [illegible] village [illegible] variably succeeds. In [illegible] (1970) he marries the daughter [illegible] who earlier throws him out of her house for being a poor cowherd. The pattern [illegible] in *Thai Thai* (1965) [illegible] (1963) [illegible] (1966) [illegible] *Thotta* (1966) In [illegible] (1966) [illegible] *Nadu* (1969) a lower caste MGR [illegible] upper caste woman. In [illegible] *Ba* [illegible] (1978) [illegible] *Maheshwari* (1987) [illegible] and *Padakotti* (1964) MGR [illegible] desired girl after intense struggle against powerful villains.

It is significant that in MGR films the upper class caste women always desire a lower class caste MGR. In this sense MGR seems to grant women the freedom to fall in love and get married despite class/caste difference. This 'subversion' of norms granted a certain notional freedom to women and at the same time assert the virility/valour of men of subaltern classes.

These three instances are not the only ones where MGR appropriates the signs of authority. In subtler and surer ways he likewise uses other signs of authority such as dress, body language etc. When the rest of the poor submit to the rich with folded hands, MGR confronts them standing erect with hands akimbo. Unlike others he refuses to tie the towel around his waist, which is a sign of deference, but instead ties it around his head. And MGR was well aware of the significance of such a presentation. In his words: "It is not enough if you are a good man. You must create an image that you are a good man. Every man must have an image. Like Nagi Reddy or S S Vasan or myself. Each of us has a distinct image. The image is what immediately strikes you when you see a person or hear his name. You put forward an image of yourself if you want to get anywhere."[17]

Where and how does this screen image of MGR fit into the pre-existing cultural presuppositions or common sense of the subaltern classes in Tamil Nadu? It is in the heroic ballads which are a dynamic element of the subaltern common sense in Tamil Nadu one may look for answers.

IV

The border area between Tiruchi and South Arcot districts is a country of dense jungle forests. Sometime in the recent past in certain villages in this area there existed a degrading custom that every woman has to spend her marital night with the village *Nattanmai* or the headman. This custom was put an end to when Kodukoor Arumugam beheaded three *Nattanmais*. Kodukoor Arumugam is still a hero of the poor in the region celebrated in folk songs.[18]

Throughout the Tamil countryside there are such folk heroes. To name a few: Muthupattan, Chinnanadan, Chinnathambi, Jambulingam and Madura Veeran. They are remembered from generation to generation through popular heroic ballads.

Chinnathambi is a Chakkiliar (an untouchable leather worker). Lowly Chinnathambi accepted the local king's offer of a reward for venturing into the forests to kill wild boars which were depredating peasants' crops. His valour launched him on a successful career which was traditionally denied to the Chakkiliars. He became the commander of the garrison guarding the king's fort at Thirukkurunkudi. The jealous upper caste Maravas, who were the traditional commanders of the garrison, murdered him. But the people from among whom Chinnathambi rose to power did not allow him to die; they immortalised him in ballads which are in circulation in Tirunelveli district [Vanamamalai, 1981: 161-63].

The ballad on Chinnanadan also belongs to Tirunelveli district. Chinnanadan *alias* Kumaraswamy married his two-year old cousin when he was eighteen. But he fell in love with a lower caste girl, Ayyamkutty, and refused to accept his cousin as wife. Though he had to forego his family property, he did not flinch from his resolve. While he was murdered by his own kin, his wife and Ayyamkutty committed suicide. The cult of Chinnanadan is alive in four villages and there are shrines dedicated to him around the small town of Erai in Tirunelveli district [Vanamamalai, 1981: 160-61].

Madurai Veeran ballad and cult are very popular especially in northern Tamil Nadu. Madurai Veeran, like Chinnathambi, was a Chakkiliar who eloped with King Bommanna's daughter and defeated his army single-handedly and with much valour. His spreading fame earned him the admiration of the king of Tiruchi and he worked for him combating the upper caste Kallar bandits. He recklessly flirted with the women of royal household and finally managed to carry away the king's sweetheart Vellaiammal. An incorrigible adventurer and violator of sexual and caste norms, Madurai Veeran was finally quartered by the king of Tiruchi [Vanamamalai, 1981]. It is not only that he is remembered in ballads and through several hundred shrines dedicated to him, but his pictures decorate the toddy and arrack shops in Madurai and Ramanathapuram districts.

The last of the ballad that I would cite is that of Muthupattan, a rebellious Brahmin. After discarding his sacred thread and removing his tuft, he skinned carcasses, ate beef and drank liquor – all these in order to marry two Chakkiliar girls, Immakka and Pommakka. This Brahmin turned Dalit protected the cattle of his father-in-law from marauding bandits backed by local landlords. He was finally murdered by the bandits by deceit [Vanamamalai, 1981: 155-58]. Near Papanasam dam there is a temple dedicated to him. And there are such other revered heroes like Kathavarayan and Kouthalamadan [Blackburn, 1978: 136].

The common characteristics of these tales of love and valour are only too evident. In the words of Vanamamalai [1981: 172-73]:

"All the heroes ... are low caste men who protect crops (Chinnathambi), protect the cattle (Muthupattan), protect the rights of the lower caste women (Hanuma, Kouthalamadan, Jambulingam), challenge sexual caste norms (Muthupattan, Chinnanadan), challenge the privilege of the higher caste groups and demand equal rights for the lower caste men with talent and skill (Chennanna and Lakshmanna)."[16]

Our analysis of the heroic ballads so far, when read together with the points that we have made about the celluloid image of MGR in the previous section, would show that there is remarkable correlation between MGR on the screen and heroes of the ballads. However, the relationship between

the themes of MGR films and ballads is not only one of unity but of divergence as well This divergence in the themes demonstrate how MGR films have appropriated the ballads and reconstituted them This divergence is important to see the differences in the ideological content of the films and ballads

V

For at least two reasons the heroic ballads constitute a progressive element good sense in the ambiguous and contradictory mosaic of the common sense of subaltern classes Firstly in a social milieu where common people life is disrupted by landlord initiated adventures like crop destruction denial of irrigation water dispensation of arbitrary justice and raping of peasant girls the people will naturally aspire toward a condition of stability in life processes But if people aspire for adventures these are adventures carried out on account of their own free will to achieve what they consider to be just Thus the people s aspiration that can be read in the popularity of heroic ballads is an aspiration to use their free will to get justice done

Secondly Maduraiveeran Muthuppattan Chinnamadan and others in their deaths affirm their essential humanity and this feature of essential humanity and indication of a common humanity have endeared them to subaltern classes ever since

The ballad like MGR films are bereft of this progressive content Here one should remember that cinema especially the Tamil film in question here follows a linear narrative sequence with the beginning rising to climax and development to a neat finish In these closed narrative contradictions are rather ironed out than being allowed for their intensification leading to a rupture of the narrative In MGR films the closure is such that a neat solution is offered for the injustice *within* the moral economy of the system itself In other words the subaltern protagonist in the film i e MGR establishes what is considered to be just *within* the system and thus reaffirms the system itself It is a world of transformed exploiters with untransformed property and power relations In *Yenga Veetu Pillai* (1965) and in *Enaiyavee* (1967) the cruel landlords become good landlords In *Nirathil Oruvan* (1965) the pirate king who oppresses the poor undergoes a change of heart but remaining a king In *Nadodi* (1966) the rich castiest finally gives his daughter in marriage to MGR who is a poor man and of lower caste origin

The moral economy of the system is reaffirmed through a different mode in films where MGR acts as an elite hero Here he often plays the role of a renouncer In *Naan Anaiyittal* (1966) MGR constructs hundreds of houses in his land and asks the poor to occupy the houses and colonise the land In *Nadodi* (1966), he gives away his plantation to the workers In *Ithava Kani* (1975), he divides the profit equally between himself and workers The examples can be multiplied Here an appeal to the idea of sacrifice was really an appeal to the power that flowed from inequality In order to be able to make sacrifices one needs to possess he who did not possess could not sacrifice The glory of the renouncer belonged to the possessor to talk of sacrifice was to talk of possession and hence of power [Chakrabarty 1984 149 50] Thus the glory in these films is to the possessor and not to the dispossessed unlike in ballads [15]

This transformation of the folk hero of the ballads into a non problematic hero on the screen who seek justice within the moral economy of system is a reconstitution of the former hero to serve elite interests [16] This reconstitution is possible as the common sense of the subaltern classes is fixed contaminated by the sediments of elite ideologies For instance there are folk songs in rural Tamil Nadu which adulate the good landlords [17] But this is not all The subaltern classes give assent to the reconstituted narrative since as far as they are concerned fragments of their reality are presented in the narratives Besides the speedy and effective dispensation of justice and redressal of afflictions allow a measure of vicarious pleasures to creep into their otherwise impoverished lives

VI

In the previous section we have noted the thematic divergence between ballads and MGR films and the ideological content of this divergence The question is how MGR whose presentation on the screen ideologically regressive could emerge as a hero for the whole of the Tamil speaking area while the heroes of the ballads could not

Two things have to be borne in mind here One, the process by which the localised folk heroes have been reconstituted as pan Tamil heroes through the mediation of MGR, the actor figure. Two the selective appropriation of folk traditions that has carefully distilled away the defiance and the bravado of folk heroes to project a non subaltern figure as the quintessential Tamil hero The first was made possible through the technology of filmic form itself and through the political lineage granted to MGR by party support both of which helped the emergence of the first all Tamil hero The second can be seen in the alternate kind of heroes promoted by Tamil Nadu s political elite

A stark example of the second type of heroes in Tamil Nadu would be that of Veerapandya Kattabomman Kattabomman was a feudal chieftain of Panchalamkurichi in southern Tamil Nadu who fought the British in his own interest and was eventually executed by them at Kayattaru on October 17 1799 The elite in Tamil Nadu have made this non subaltern a hero of the whole of Tamil speaking area Sivaji Ganesan erected a memorial for him in Kayattaru in 1970 [21] the then DMK government renovated the ruins of his mud fort at Panchalamkurichi at a cost of seven lakh rupees in 1974 [22] Every year a Kattabomman festival is organised at Kayattaru with state patronage, and during the festival various forms of folk arts depicting Kattabomman's life is peformed [23] An extremely popular film on the life of Kattabomman was made in Tamil with Sivaji Ganesan in the lead role [24]

Now let us turn to the first type of hero— i e MGR in Tamil context Unlike the folk heroes who are disadvantaged not to reach a wide audience MGR had access to the medium of cinema In dealing with the role of cinema in projecting a particular presentation of MGR and its effectiveness in reaching a wide audience one has to analyse two aspects (a) social context of cinema as a medium compared to other forms of performances and (b) the popularity of cinema as a medium in Tamil Nadu

Cinema as a medium is relatively democratic cinema tickets being comparatively cheap it is possible even for the poor to watch a film once in a way Moreover the seating arrangement within an cinema hall is not according to one s social status but according to whether one can afford a ticket or not This is important because in watching shows of performing art in rural Tamil Nadu the order of seating of patron is done hierarchically depending on one social position The cinema hall was the first performance centre in which all the Tamil at under the same roof The basis of the seating is not on the hierarchic position of the patron but essentially on his purchasing power [Sivathamby 1981 18 19]

The two factors the affordability of watching a spectacle on the screen and cinema hall as social equaliser made film an extremely popular entertainment for the subaltern classes The popularity of the medium can be gauged from the fact that most of the village monographs brought out by Census of India 1961 records watching films as the only entertainment of the rural people in Tamil Nadu It is indeed a thin line that divides entertainment from ritual and various kinds of social festivities In fact, watching MGR film has become almost a ritual in itself One can witness crowds gathered to watch MGR films burning camphor before huge cut outs of him distributing water to the populace– as one would before a deity during temple festivals

In addition the proliferation of cinema halls in Tamil Nadu is extensive. In the whole of India next to Andhra Pradesh Tamil Nadu has the largest number of cinema halls On March 31 1986 Tamil Nadu had a total of 2 153 cinema halls out of which 820 are temporary halls [25] The temporary cinema halls which are located in rural and semi urban areas are usually touring talkies that are shifted from one place to another The price of the ticket is very nominal The touring talkies are almost exclusively visited by the rural and semi urban poor while the rich given their social status

go to the nearby town to watch films in proper cinemas.

This means that throughout Tamil Nadu, people have access to cinema halls and cinema is a very popular medium among the people. While heroic ballads can circulate only within a limited locality due to elite hostility and non availability of such elite controlled medium like cinema, films could present MGR to a wide audience throughout the state. MGR could thus emerge as a hero of the Tamil speaking area as a whole.

VII

At least one important question remains. How did the subaltern classes fail to differentiate the screen image of MGR from MGR in real life? One of the reasons could be the large scale circulation of a constructed *imaginary* biography of MGR that projects his real life as not being different from his life on screen. Political platforms, newspapers, pamphlets, films, calendars and party posters were used with remarkable skills in constructing this biography. The process of this biography construction could be the subject of a full length essay and I shall cite only some stark examples here to illustrate this process.

MGR's early life was no doubt a life of misery. When he was just two and a half years old, he lost his father. Due to acute poverty, he had to forgo schooling and join a drama group as a child actor. It took him many years of hardship as a low paid stage artiste before he could gain a foothold in films. His modest beginning and acute poverty of early days were well propagated through public speeches, pamphlets, party newspapers, etc. MGR himself often referred to his early days of sweat and tears [Thandavan 1983: 159]. For instance, in an all India Radio talk on June 30, 1982 on the free noon meal scheme for the school going children in Tamil Nadu, he said: "This scheme is an outcome of my experience of extreme starvation at an age when I knew only to cry when I was hungry. But for the munificence of a woman next door who extended a bowl of rice gruel to us and saved us from the cruel hands of death, we would have departed from this world long ago." The inexpensive biographies of MGR which are sold in village fairs and urban pavements and bought by the literate poor also provide graphic details of MGR's poverty.[6] Thus, MGR is not an elite person who tells tales of other peoples' oppression on the screen but is himself a victim of oppression telling his own tales and those of similarly placed men and women.

If MGR is a renouncer of wealth in films, he is, as this constructed biographies would have it, a renouncer of wealth in real life as well. Even before MGR became the chief minister of Tamil Nadu, his munificence was well propagated. Hardgrave Jr [1979: 102] writes:

> MGR is a symbol of hope for the poor in South India. Without children, he has adopted the poor as his wards. He is always the first to give for disaster relief, he supports orphanages and schools. MGR's generosity is well advertised, for it is the grist of his fame. When fires had destroyed some Madras hutments, he gave a lakh of rupees for relief and announced that the hundredth day of a film then running would not be celebrated because of the slum dwellers' sufferings. As one fan puts it: 'He is always there when the huts are burnt.'

The party organisation of DMK had an enormous role in propagating MGR as a real life renouncer of wealth. DMK leaders, including its founder and popular leader late C N Annadurai, repeatedly projected MGR as a giver of wealth to the poor. Pro DMK dailies like *Dravida Nadu* and *Murasoli* and magazines like *Mutharam* celebrated MGR's munificence. A DMK propaganda song used during the 1962 elections ran as follows:

> The Palm of Bharatha Karnan
> Became pink because of
> His munificence
> But the whole body of Dravida Karnan
> Became pink because of
> His munificence everyday.[7]

The Dravida Karnan is of course MGR.

The popular biographies which circulate among the poor again celebrate MGR as a renouncer. One of the events which is repeatedly mentioned in these biographies is MGR's auctioning off of a sword made of 110 sovereigns of gold to raise war funds during the 1962 Indo China war. Often it is rhetorically posed: "who will have the large heart to donate 110 sovereigns of gold?" People do have an obsessional attachment to gold and such narration effectively poses MGR as a renouncer of wealth.[8] If MGR gave up his acting career and became the chief minister, it is because, according to these biographies, he was a renouncer:

> if he produces four or five films he can earn crores of rupees. He knows this very well.
> Then why is he not acting in films? If he decides to act in films, no law can prevent him.
> Do you know what is the reason for his giving up film acting?
> He wants to serve the people of Tamil Nadu.
> He wants to wipe out their problems.[10]

MGR's supposed invincibility was time and again constructed by various kinds of media so much so that he was conferred a degree of immortality in real life as on the screen. He was presented as one who was thrice born. The first one was when he was actually born like rest of us; the second birth was when he survived an attempt made on his life by his film world associate and a popular Dravida Kazahgam propagandist M R Radha on January 12, 1967, and his third birth was when he recovered beyond expectations from his debilitating illness in 1984. In fact, unlike most of the DMK leaders, MGR's birthday was never celebrated and his age was a secret. After 1967, his followers were encouraged to celebrate January 13, the day on which MGR recovered from bullet injuries, as his birth day. In his autobiography he writes: 'As you all know I was shot at on January 12, 1967. People think that I died on that day and I was reborn on the next day. That is why they greet me on that day.'[11]

Thus through particular constructions of MGR's biography, his films were portrayed as an imitation of his real life. One can cite several examples of the effectiveness of this obliteration of distance between the cinematic and the real. G K Ramaswamy [1979: 58] in his study on MGR fan clubs notes:

> The members are not able to go beyond the impressions created through the films and MGR's character is believed to be what is depicted in his films. This is clear from the fact that when the followers were asked to substantiate their contention that MGR is good or a principled man, they invariably cited instances from his films.

The most resounding proof of how people do not differentiate MGR the image and MGR the real can be had from what his followers did during his serious illness in 1984. In *Olhi Vilakku* (1970), MGR's hundredth film, MGR carries on a losing battle with death. A widow to whom MGR has provided asylum sings to god with inconsolable sorrow to spare MGR's life and take away hers instead. This very song echoed throughout Tamil Nadu when MGR was ailing. If god replied to this song of grief in the film by sparing MGR's life, it could happen in real life also! He survived. When he finally died, it was so sudden that the people were not given an option.[12]

VIII

The significance of MGR as a phenomenon and the elite who supported him thus lies in the recognition that the mosaic of common sense or the unthorised philosophy of the subaltern classes is an important terrain of political intervention. By using this site of struggle which is often ignored by other political forces and by reconstituting a progressive element of the common sense for reactionary politics, MGR could join the ranks of Madurai Veeran, Muthupattan and Kathavaravan and

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supersede them MGR's success rests, to a large extent, on this

Unfortunately, the various shades of political dissent in Tamil Nadu, ranging from the DMK to the CPI(ML), dismissively characterise MGR as a lunatic and a 'clown' It is time these self assured philosophers' sit up and take a few lessons from lunatics and 'clowns—of course not to practise MGR style reactionary politics but to appropriate its other'

Notes

[This essay wouldn t have been written but for the encouragement and intellectual partnership of S V Rajadurai and V Geetha I have also benefited a lot from my discussions with the following friends Arun Patnaik Barun De Anjan Ghosh R S Rao Nirmal Sengupta Sarajit Majumdar A Venkatachalapathy I Jevaranjan and Anandhi S My thanks are due to all of them]

1 James Freeman s [1979] excellent study of Muli a scheduled caste labourer in a Orissa village and Michael Moffatt s [1979] study of Pariyans of Endavur village in Southern Chengleput district are some of the exceptions

2 M G Ramachandran presided over Tamil Nadu as its chief minister from 1977 to 1987 with a brief break in 1980 He was born in Kandy in Sri Lanka in 1917 Driven by poverty he began his career as a child actor in plays by joining at a tender age Madurai Original Boys Company owned by M Kandaswamy Pillai After protracted struggle he emerged as an immensely popular film star on the Tamil screen Along with his acting career he became active in the DMK politics In 1972 he founded a separate party Anna Dravida Munnetra Kazhagam which was rechristened as All India Anna Dravida Munnetra Kazhagam during Emergency After prolonged medical battle and ill health he died on December 24 1987 as the most popular leader of the poor in Tamil Nadu

3 *The Statesman* January 17 1985

4 It is because the material life conditions of the subaltern classes do not produce the immediate consciousness of their existence that their actual consciousness can be effectively mediated Thus it has been possible for MGR to pose real problems and offer imaginary solutions

5 On Gramsci s category of common sense see Cirese 1982 Davidson 1984 Patnaik 1988 and Saldanha 1988

6 According to Gramsci [1973 332 33] If it [Philosophy of Praxis] affirms the need for contact between intellectuals and simple it is not in order to restrict scientific activity and preserve unity at the low level of the masses but precisely in order to construct an intellectual moral block which can make politically possible the intellectual progress of the mass and not only of small intellectual groups

7 Soon after MGR founded Anna DMK in 1972, the DMK promoted an organisation called 'Tamilar Padai' The members of 'Tamilar Padai', who were mostly urban lumpens, tried their best to disrupt the screening of MGR starrers

8 *Thuglak* February 1 1984

9 MGR appeared as Vishnu in *Dakshavagam* (1938), as Indra in *Prahlada* (1939) as Parameswara in *Sri Murugan* (1946) and as Indirajit in *Seetha Jananam* (1947)

10 The films we cite in the course of the essay are only examples The patterns presented repeat with little variation in large number of MGR films

11 For a general discussion on this with illustration from peasant insurrections in colonial India see Guha 1983 Chapter 2 On this semiological differentiation of everyday practices into signs of authority and deference note what Beck [1972 155] writes Food passes between some groups but not between others and guest of a greater community are invited to sit on the porch of some homes but in the courtyard of others Ranking is also implied in the form of address used between groups and by all the body gestures that accompany conversation For example a man of an communities may cover his mouth when speaking or stoop slightly and look at the ground while another from a caste that claims superiority to the first may stand erect fold his arms on his chest and look straight ahead Adjustment in clothing can also serve as indicators of status Women generally draw the end of their sari over both shoulders when in the presence of superiors Men similarly lower their long skirt like cloth sarong so as to cover their calves when they wish to indicate deference The widespread prevalence of such feudal semiotics in Tamil Nadu has been established in several studies [Ramachandran and Manoharan 1981 Den Ouden 1979 Good 1983 232 3 Ramaswamy 1983 104 108 Nandu 1988 119 20 and Muthiya 1989] Several new reports have also brought out this fact For example see *Junior Vikatan* September 8 1988 October 23 1985 May 21 1986 November 23 1988 and May 3 1989 Again this is true not only among the Hindus as ably shown by Poornam Demel [1988] in his study of the relationship between Vannar Christians and Harijan Christians

12 The comments in these letters run as follows MGR s fight from the rickshaw is wonderful MGR who fights from the rickshaw is indeed an youth MGR rotates life a top and fights No actor in the world can fight like him [see *Cinema Kadir* March 1970 and August 1971]

13 It would be interesting to note here what Hobsbawm [1985 35] writes about social bandits These are the men who establish their right to be respected against all comers including other peasants by standing up and fighting—and in so doing automatically usurp the social role of their betters who as in the classic medieval ranking system have the monopoly of fighting They may be the toughs who advertise their toughness by their swagger their carrying of arms, sticks or clubs, even when peasants are not supposed to go armed by the casual and rakish costume and manner which symbolise toughness"

14 N Krishnaswamy, 'From Hero to Mesiah Step by Step *Indian Express* (Madras), January 9 1988

15 *Junior Vikatan* September 9 1987 Though the report does not give details, it is only evident that the women thus degraded should have belonged to poorer households lower castes

16 The same conclusion has been arrived at by other folklore scholars like Blackburn [1978] and Loordu [1979]

17 See Gramsci [1985 372 74] for an elaboration of this argument

18 For an example of how this category of renouncer was used by Indian National Congress during the nationalist struggle to mobilise people see Hardiman [1987 169 70]

19 The efforts to change the radical content of ballads is a regular process In this regard, Vanamamalai [1981 187] cites an important instance In the recent recitals of Muthupattan ballad his wives are narrated as Brahmin girl brought up by a Chakkiliar Unlike in the original ballad they are not Chakkiliar girl On enquiry it was found that Muthupavadai of Kallidaikurichi who sings the ballad was pressurised by upper caste Vellalars and Brahmins to change the ballad In the same way there are puranic insertions in ballad which portray lower caste Madurai Veeran and Kathavarayan as Brahmins [Blackburn 1978 140 43] Here, one must bear in mind that ballads are, essentially oral narratives that stand to be transformed over periods of time often reflecting the reconstituted social milieu Thus they are open ended and capable of infinite reinterpretations

20 Vanamamalai [1981 101] and Aru Marappan 119 31

21 *Cinema Kadir* August 1970 pp 70 73

22 Karunanidhi 19 II 421 2

23 Note that ABVP and ESS observe Karthiboomman death anniversary every year [illegible] *Mozhi Sari* September 1 1988 p 14

24 The film [illegible] the [illegible] in the Afro Asian Film Festival held at Cairo in 1960

25 *Sarai* December 19 1986

26 For example see Kalaipadam Velan *Naan Yean Piran Pandi Thevar MGR* Madras undated p 6 [illegible] Pommuthi *Sinna Maithan Sadanai* Sri Lakshmi Pirasuram Madras, 1988 p 6

We shall refer to such books as Popular Biographies in the rest of the essay

27 For a collection of speeches by C N Annadurai on MGR see R Srinivasamurthy (ed) *MGR Yen Ilava Kanni Anna* Sathya Thai Pathippagam Madras 1984

28 *Malai Murasu* July 6 1987

29 See for example *Petri Selvar MGR Veera Vetaiyadu* Sri Thamizhamudhi Puthaga Nilayam, Madras p 38 undated

Kalaipadam Velan *Naan Yean Piran then? Puratchi Thalaivar MGR* Madras p 48 undated

30 Kalaipadam Velan op cit p 63

31 M G Ramachandran Naan Yean Piran then part 45 *Anandu Vikatan*, February 14 1971

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Communalism and Working Class

Riot of 1893 in Bombay City

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The participation of social religious or occupational groups in communal riots raises the problem of the concerned group's integration into the communal polity In the context of the working class it has been argued that workers have been equally, if not more, responsible for adding to the dynamics of communal politics This view has been questioned by some scholars and the idea of levels of consciousness has been introduced to explain the apparent ease with which workers participating in workers' struggles have broken into communal riots soon thereafter This paper studies the 1893 communal riot in Bombay and argues that while the workers the majority of them being Marathas, were involved in the riot on the Hindu side this did not lead to the development of a long-term communal consciousness among them

THE participation of any social religious or occupational group in a communal riot raises the problem of its relative integration to the communal polity In the context of the Indian working class Dipesh Chakrabarty's study of the Calcutta jute mill workers[1] is a seminal contribution Here he argues that the workers were equally if not more responsible for adding to the dynamics of communal politics This view has been questioned by some scholars and S Bhattacharya in the context of the activities of the Bombay cotton mill workers during 1928 29 has introduced the idea of levels of consciousness to explain the apparent ease with which the workers participating in the general strikes of 1928 and 1929 broke into communal riots soon after each strike[2]

This paper tries to argue that although the intensity of the riot in 1893 in Bombay showed strong communal sentiments on both sides and the workers majority of them being Marathas participated on the Hindu side it did not lead to the development of a long term communal consciousness in them Nor was it the most representative form of their activities The 1890s also witnessed the increased participation of the workers in strike activities which matured over the years leading to the general strikes of 1919 and the 1920s We also find them participating in protests against the imprisonment of Tilak in July 1908 with equal vehemence The hardships which the workers faced in their homes and mills brought them into confrontation with their employers But at the same time, it also gave rise to sectarian feelings in them in their defensive bid to cope with their new lives Feelings along the lines of caste region and religion were prevalent Their continuing links with the countryside also helped in maintaining their old world loyalties Religion was a major factor in their lives It provided them refuge from hostile atmosphere consoled them in adverse conditions, also gave them a hope for the future At the same time however it provided an opportunity for the communalists to channelise these deep religious feelings into communal ones That was precisely what happened in Bombay in 1893 when cow protection propaganda and communal speeches and counter speeches played on the religious sentiments of the people and led to a major conflagration involving a large section of the population and the large majority of the textile workers

I

Demographic Picture

The two main religious groups in Bombay were Hindus and Muslims The Parsis and Christians which in fact formed very small minorities and Jews Jains and Buddhists were numerically insignificant The percentages of the Hindus and Muslims in the total population of Bombay was as in table 1

This shows that the Muslims were never more than one fifth of the total population of Bombay But their distribution was not even and there were localities in which Muslims tended to concentrate while there were some other localities in which the Hindus formed as much as 90 per cent of the population

The Muslim population was preponderant in four sections Chakla Umarkhadi Kharai Talao and Second Nagpada where they formed more than 60 per cent of the population while in all the other sections the Hindu population was more numerous Table 2 shows the percentage of Muslim population to the total population of these four sections

There was further concentration within each section and hence the emergence of some Muslim mohollas

The majority of the Muslims were as much immigrants to the city as the majority of the Hindus as is shown by the relatively fewer women than men (Table 3)[7]

Because segregation had occurred in other areas the percentages of Muslims to the total population of the mill areas were lower than overall city average as is shown in Table 4[11]

Though very small, these figures were not less than the relative proportion of Muslims in the total workforce In 1881 for example Muslims constituted only 8 13 per cent of the total number of cotton mill workers and by 1921 this had gone down to 5 15 per cent (Table 5)

The Muslim worker could be found in all departments of the mill and there was little trouble getting Hindu and Muslim weavers to work together[8] So generally there was at least no overt tension between the Hindu and Muslim worker in the mill The situation however became different during and immediately after the riots as is shown below

II

Background to the Riot

Talking about the causes of the riot R H Vincent the acting commissioner of police did not have the slightest hesitation in ascribing the origin of the ill feeling between the two races to the anti cow killing agitation of Hindus[10]

But on August 22 1893 after the riot ended one P B Joshi wrote to the secretary that the real cause of the riot is not the cow killing agitation but the Prabhas Pattan affair[9] And the British government again diplomatically observed that while the cow protection movement has undoubtedly been pushed of late with growing vigour the movement itself is not a new one It also wanted to avoid gratuitously wounding the feelings of Hindus and so the governor in Council hesitates to adopt the opinion that the cow protection movement is the principal cause of these riots The governor in council therefore decided that the main cause of the outbreak was the infection spread by the riots which had broken out in other parts of India and especially those at Prabhas Pattan and the uneasy feeling generated through them amongst Muhammadans that Muhammadanism and the followers of that faith generally were suffering at the hands of the Hindus[8]

It is true that the cow protection movement was not a new one But whenever and wherever it was pushed with growing vigour it started a process of communalisation which culminated in a single or multiple riots[10]

In Bombay the society for preservation of cows and buffaloes named Gaurakshak Sabha was first established on July 28 1887 Its president was not a Hindu but a very

prominent Parsi millowner Sir Dinshaw Manekji Petit who had been awarded the knighthood previously. Of two secretaries one was Parsi and the other Hindu.[1]

The intent and purpose of this society apart from the protection of cows is not known. Most probably it did not have any other motives. The presence of the persons who were very honourable in government records[1] seemed to prove that. The society held meetings in different parts of the presidency like Ahmedabad, Poona etc. apart from Bombay in which speeches were made to mobilise support to stop the killing of cows. In the beginning the nature of the movement was not communal as was shown by the support given to it by newspapers like *Kathiawar Times* which was edited by a Muslim in its issue of April 14, 1888.[2]

Whether the rationalists found it an already existing body to mobilise support for their cause or vice versa or other groups of them tried to use this religious symbol for their anti-government propaganda like Tilak's Ganapati and Shivaji festivals later on is not known. But at some point anti British sentiment did appear. One Shriram Swami went about touring in Poona, Sholapur and Bombay. From the platform of this movement it was reported that on July 14, 1889 in Sholapur he said that from want of unity between Hindus and Muhammadans the whole wealth of the country is carried to England. He however ended his speech making an appeal to stop kine killing.[3] It cannot be ascertained whether this appeal was just a postscript or genuine feeling. The fact remains that he was also making anti British propaganda through this medium.

One police report goes to the absurd extent of stating that the entire cow protection movement was the handiwork of the young generation of Hindus who visited Europe and had imbibed(d) their hatred for the British from the foreigners and their vanity is equal to their political check and they look upon the British as aliens who feed upon and keep them from their birthright. It asserted that the cow protection movement was only a means to an end.[1]

This movement worked the other way also. While some nationalists took advantage of it to disseminate nationalist thinking there were also some zealots who carried on their propaganda for cow protection from the nationalist platform. In a meeting of representatives of Indian National Congress held at Talgaon on July 28, 1889 Chintaman Vakil of Bhusaval gave a lecture on the protection of cow.

In another instance during the convention of the Congress in Bombay in December 1889 the Nagpur Cow Protection Association distributed thousands of pamphlets entitled *Prarthana* exhorting the people to agitate against cow killing.[3] In fact sometimes the cow protection and anti British propaganda got so mixed up that there were some who blamed the Congress for the riots.[4]

Though sometimes Hindu nationalist and religious sentiments merged, the nationalists failed to dominate this particular movement. In fact there is no evidence that they even tried to do that. The more religious and fanatic elements took over the movement in later years. There were no more talks of the drain of wealth or of birthright. Now the cow became the centre of everything. It was not a means to an end but an end in itself.

There were much wider links of these cow protection bodies all over India. So we learn that one Shriram Swami Alanangi was sent from Allahabad to lecture about cow protection in Bombay on December 18 and 28, 1889.[25] Similarly one Jairam was sent by Bombay Gaurakshak Sabha to lecture in Ahmedabad on January 27, 1892.[26] Such instances were very common during this period.

Frantic activities were going on in the entire Bombay presidency on behalf of cow-protection movement. Similar bodies had sprung up in various places like Sholapur, Nagpur, Poona, Kolhapur, Satara, Khandesh etc. either on their own initiative or fostered by emissaries from other places. And although these activities had not gained much hold' as yet, the official circles were worried about the 'feeling of unrest and religious antagonism' which this agitation was causing and had started talking about 'watchfulness and precautionary measures'.

The meetings and propaganda of the Bombay Gaurakshak Sabha went on as

TABLE 1 PROPORTION OF HINDUS AND MUSLIMS IN TOTAL POPULATION

	1881	1891	1901	1911	1921
Total population	773 196	821 764	776 006	979 445	1 175 914
Percentage of Hindus	65 2	66 1	65 5	67 8	71 2
Percentage of Muslims	20 5	18 9	20 1	18 3	15 7

TABLE 2 PERCENTAGE OF MUSLIM POPULATION TO TOTAL POPULATION IN MUSLIM DOMINATED AREAS

Section	1881	1901	1911	1921
Chakla	62 76	64 46	62 24	56 93
Umarkhadi	59 77	62 49	64 10	61 04
Khara Talao	61 08	63 78	69 36	67 36
Second Nagpada	77 37	67 65	67 69	60 65

TABLE 3 NUMBER OF FEMALES PER THOUSAND MALES

Religion	1881	1891	1901	1911	1921
Hindu	664	571	610	521	531
Muslim	679	633	617	507	452

TABLE 4 PERCENTAGE OF MUSLIMS TO TOTAL POPULATION IN MILL AREAS

Section	1881	1901	1911	1921
Byculla	14 2	20 7	21 9	20 9
Tadwadi	10 4	12 2	10 8	10 7
Mazagaon	14 1	13 9	15 2	13 5
Parel	7 5	5 7	4 8	5 4
Sewri	4 2	4 3	5 2	5 8
Sion	12 6	7 9	7 8	7 4
Mahim	12 6	8 5	11 8	11 7
Worli	3 1	6 0	5 4	5 2
Average percentage in the mill areas	9 8	9 9	10 4	10 1

TABLE 5 COTTON MILL WORKERS ACCORDING TO RELIGION[17]

Year	Total No of Cotton Mill Workers	Total No of Hindu Workers	Ratio of Hindu Workers to Total (Per Cent)	Total No of Muslim Workers	Ratio of Muslim Workers to Total (Per Cent)
1881	25 241	22 821	90 41	2,053	8 13
1911	1 18 512	1 04 400	88 09	12 575	10 60
1921	1,17 110	1,10 065	93 98	6 032	5 15

before On April 25, 1890, a big meeting of the sabha was held at the Mulji Jaitha Market It announced that the subscriptions collected from August 2 1887 to June 30 1888 was Rs 11 932 The firm of Morarji Gokuldas presented 83 000 sq yards of land in Chembur for the construction of cattle sheds Again on September 1890 a public meeting was organised where Swami Achutanand gave lecture on the protection of cows

Though not much evidence is available it is perhaps about this time that the cow protection agitation was undergoing an imperceptible change Its meetings became more frequent Co operation from societies in the other parts of the presidency was sought and given Money was collected from wealthy people A change in the nature of activity also came about Earlier this society had satisfied itself with holding the meetings and distributing the pamphlets and hand bills But now it started a somewhat more active mass contact programme by collecting signatures and selling and distributing pictures which made more appeal to the illiterate masses The religious movement now acquired a communal overtone The cow was no longer an end in itself It is now became a means to an end But now the end was different

In January 1891 pictures and illustrations of a cow supplicating for protection were on sale at a piece a piece in Bombay [8] R H Vincent the commissioner of police wrote that pictures and pamphlets illustrating the sanctity of cow and the sin of slaughtering it were also sold and distributed in thousands all over the presidency but chiefly in Bombay [9]

Another more sinister picture was that of a cow looking quite *gharib* being milched by a handsome matron (in the dress of a Dakshini Brahmini) A plump healthy child playing near In the background was a Brahmin in a reverent posture worshipping the cow and on the other side a Muhammadan mlechcha of a butcher with a hangdog villainous face brandishing a long knife and looking sinisterly at the cow [10]

Such pictures and posters would obviously do the intended work In August 1891 one Abdul Rahman of Bombay distributed a Urdu pamphlet in Ahmedabad strongly attacking the Gaurakshak Sabha and stating that the agitation was only meant to excite the Muhammadans and to cause ill will throughout the country [11]

The cow protection propaganda however went on apace On November 1891 one Jivaraj Jetha collected about 3 000 signatures to be presented to the Hindu Council members On November 7 1891 the secretary of the Gaurakshak Sabha asked the police commissioner for the permission to parade the cows on the roads in Bombay after the general meeting to be held on November 8 The commissioner declined to grant the permission The meeting however was held before an audience of about 4 000 people and some cows were brought to the meeting [12]

In March 1892 six people arrived in Bombay from Sholapur to solicit funds for the purchase of cows which had fallen into the hands of butchers in consequence of famine in that district [13] By the end of September 1892 the Nagpur Gorakshak Mandali sent four delegates to Bombay to collect Rs 60 000 in aid of the Nagpur Fund Pandit Keshav Narain Vaidya from Kolhapur published 25 000 copies of four pamphlets on cow protection and distributed most of them in Bombay in September A meeting of the Bombay sabha held on October 29 1892 circulated a printed appeal which exhorted the people to contribute to the Nagpur Fund [14]

In April 1894 the sabha again wanted to take a procession of thousands of cows through the streets of Bombay but again the police commissioner did not permit this [15] Despite that big meetings were held on April 15 and 16 The police report says

> On the former date there was an immense procession about 12 000 people of Hindus chiefly Kachis with a sprinkling of Parsis in the quarter of the town inhabited by them House were covered with flags etc Some 200 milch cows gaily decorated were collected in Madhav Bagh and a great many speeches were made in favour of the movement On the sixteenth a sort of regular meeting was held in Madhav Bagh which was attended by some 20 delegates and about 15 000 persons Addresses were delivered and prizes were bestowed on the owners of the best fed cows Medals were also given to the lecturers who had worked zealously for the cause Many Hindu shops were closed in the honour of the event and a theatrical performance took place in the New Alfred theatre in the aid of the Gorakshak Mandali The principal movers in the matter wanted very much to parade all the cows they could get hold of in the procession through the streets but they allowed themselves to be persuaded that it would be better not to do so in the town where there were so many people not in favour of the cow protection society [16]

It was in April 1893 that the police commissioner thought that riot would take place because 'feelings were running very high indeed [17]

In July another cow protection society named Gau Palan Updeshak Mandali with Lakhmidas Khimji as its president came into being It took an even more extreme position and its leader and members displayed still greater virulence in the dissemination of their views It also brought out a paper named *Gau Updeshak* [18]

Now both the societies started competing with each other in taking more active step to stop the killing of the cows So while the agents of the Gorakshak Mandali (or sabha) and their friends took occasion on the night before the Bakr Id to go about the town and ascertain in what places the Muhammadans intended on the following morning to kill cows' in order to prevent it,[39] the Gau Palan Updeshak Mandali obtained a large plot of land at Lonavala, where they intended to keep all cattle intercepted and purchased by their agents *en route* to Bombay' [40]

The societies also tried to enlist the sympathies of several Hindu constables" and sometimes succeeded [41] In such an atmosphere even minor incidents had the potential for causing disturbance So when a restive cow which was being escorted to the cattlehouse by a Muslim constable fell into a ditch and died there was every likelihood of a disturbance People gathered and accused the constable of maliciously murdering the cow and did not allow the carcass to be removed for 16 hours [42]

Such activities and incidents were bound to have their impact sooner or later In the minds of the middle class Muslims in Bombay some sort of sectarian sentiment had already been injected during the late 1870s and 1880s by the Anjuman i Islam, a non religious yet communal body The issue centred around Turkey and Khilafat had started to create pan Islamic sentiments But these things were mainly limited to the middle class Muslims The cow protection propaganda however reached down to the lower class Muslims that they would be deprived of their cheap and chief article of food Some zealots of the sabha also went into the Muslim dominated areas and preached their creed despite warning from several quarters [43] All this was slowly preparing the ground for a conflagration by alienating the two communities from each other and creating tension between them In such an atmosphere came the news of the riots at Prabhas Pattan

It is true that the news of riots from Rangoon Bareilly Aligarh etc had already been reaching the city and people's feelings were getting polarised But the physical proximity of Prabhas Pattan made it more possible for both the sides to carry on active propaganda and to arouse sectarian feelings The riot in Prabhas Pattan (in the Muslim ruled state of Junagarh) had occurred by the end of July 1893 on the Muharrum day in which many Hindus were said to have been killed [44] Immediately after an agitation had started in Bombay On July 30 1893 Javerilal Yajnik spoke in a meeting of Hindus demanding condign punishment for the offenders and talked of avenging justice He said that not only one of the most sacred temples dear to the Hindus had been defiled but the holy *bithal* of the god Shree Krishna wantonly polluted, innocent monks and religious ascetics were in violation of inter communal laws ruthlessly massacred [45]

The Muslims were not far behind Aga Khan at a counter meeting talked about the killing of their co religionists desecration and destruction of their mosques by the Hindus The atmosphere had become suddenly surcharged with passion

Another campaign started in Bombay The Hindus went around asking for subscriptions to get the offenders punished

while the Muslims did the same thing among their co-religionists for the defence of the innocents who were said to be suffering at the hands of the local (Hindu) authorities.[49]

Both the cow protection societies started propaganda work against the Muslims and collected money to get the offenders punished. Deshmukh of Gorakshak Sabha organised a public meeting at Thakurdwar of Marathi Hindus on this issue. Many others went around making inflammatory speeches. One Shivram Sadhale and Narayan Trimbak Vaidya went on one Sunday from house to house to raise funds and people to sympathise with Prabhas Pattan sufferers.

There were [illegible] Thousands of [illegible] were collected. Speeches were made [illegible] Muslims and exhortations were made to help out the afflicted Hindus in Prabhas Pattan. In such meetings such slogans were raised. In one meeting by Gram Pattan Upadeshak Mandali Lohanas, Banias and Bhattias outbid each other in their subscriptions.

There were attempts to hold meetings among the mill workers also. We have evidence of such meetings by Gram Pattan Upadeshak Mandali. But when questioned by the authorities Lakhmidas Khimji the secretary of the society denied this. But judging by the pace of the propaganda it was not unlikely that such meetings were held.

The Muslims were not sitting silent either. It was reported that a large number of respectable Muslims from Kalyan arrived in Bombay during the Muharram festival complaining to their co-religionists (and afterwards to the police commissioner) that they had not received fair treatment at the hands of the local (Hindu) authorities. Many Muslims in Bombay were also holding meetings and collecting money to help the arrested Muslims in Prabhas Pattan. Their opinion was that Hindus had circulated exaggerated reports and succeeded in exciting the sympathies of their co-religionists in Bombay and subscribed large sum of money which would enable them to trump up charges against the Muslim miscreants. There were rumours that the Muslims were discussing this issue at different mosques in the city but the police report denies any such happenings. There are, however, definite reports of a large meeting convened on August 10 to arrange for the legal defence of the accused and Rs 12,000 were subscribed on the spot.[50] On the morning of the eleventh also there was a large meeting of Muhammadans especially (lower classes) at the house of Haji Kasim Haji Ismail. About 1,000 persons who could not accommodated were standing from 7 to 8 in the streets and it is rumoured that they were paid for the riot."[51]

And in the afternoon of the eleventh the riot started.

III

Events

It was the city's third communal riot in the nineteenth century. The first one was in 1851 when a Parsi journalist named Bramjee Ghandi had published a portrait of prophet Muhammad in his journal and the mobs were incited to a riot against the Parsis. The second one took place in 1874 again between Muslims and Parsis when a Parsi named Rustomjee Talbhoy made a reference to the prophet in his translation of the works of Washington Irving.[52] But in none of the above two the magnitude and intensity of the riot was similar to that of 1893. It was because the Parsis were few in number and were limited in a few areas while Hindus and Muslims were spread all over the city.

When the riot started the police were not exactly caught unawares. Since weeks past rumours had been afloat about the possibility of such a riot. The administration did not take much precautionary measures and as Bakri Id, Muharram and several Eid days passed without any disturbances, it was lulled into a false sense of security and order. Although there were strong rumours that the riot might start on August 11, not many arrangements were made to such a contingency. Some policemen were posted near Jumma Masjid but their numbers were grossly inadequate given the enormity of the problem.

When the worshippers went into the masjid for prayers they were not carrying any sticks or weapons. The only thing observed was that the attendance of worshippers exceeded the usual number by about a thousand souls.[53] But when the worshippers came out of the masjid after prayers many of them were carrying sticks etc. which lends credence to the opinion that the riot was premeditated.

Coming out of the masjid at around 1.45 p.m. the Muslim mob, despite the endeavours of the respectable members of their community, started shouting *deen* and rushed towards the Hindu temple situated in the nearby Hanuman Lane. The policemen posted there tried to restrict them and a fight ensued in which stones and other missiles were freely used. Some of the policemen got injured. But finally with the arrival of reinforcements the rioters were repulsed.

As soon as they were driven away from this area they spread out in various areas and along with many others started rioting there. Thus rioters could be seen in Bhendy Bazar, all along Erskine Road, Null Bazar, Falkland Road, Duncan Road, Tagiyan Kacha Street and Cowasjee Patel Tank Road. They attacked vehicles and tramcars were pelted with stones and infuriated mobs of Muslims surged from street to street carrying havoc and destruction in all directions. To trace the course of the tumult is beyond my powers, for the rioters seemed to be in every place at once."[60]

The military was called in. Many companies from Marine Battalion, 5th Bombay Infantry, Bombay Light Horse, etc. were ordered. But even this did not prove very effective because when the rioters were driven back and dispersed by the police and military from one locality it was only to unite in another and wreak their wanton rage on the hated Hindus and any who sought to hinder them. Wherever they went their tactics were the same. Sticks and bludgeons were the weapons generally employed and only too frequently with fatal results. Volleys of stones, broken tiles and other missiles were flung both from the streets and from the windows and tops of houses.[61]

Many Hindu temples in Nissanpada near Kumbharwada and other localities were desecrated. The rioters broke the idols and hurled them on to the roads to be trodden and [illegible] foot.

To the killing and desecration of religious places another motive was soon added that of loot. One pay clerk in the employment of GIP Railway Company was assaulted and robbed of about Rs 4,000 of government money.[62] Many shops in Bhendy Bazar and other places were looted and their property destroyed.

It was only to be expected that the Hindus among whom religious propaganda had been going on for some time and who were so preponderant in number, seeing their temples desecrated and destroyed, their co-religionists attacked and their property looted, would retaliate. The retaliation came right on the first day. Within an hour of the original outbreak by Muslims one Muslim conveyance driver was brutally assaulted.[63] On Falkland Road, Tagiyan Kacha Street and Duncan Road the Hindu *tallimwallas* fought pitched battle with the Muslim *tallimwallas* wounding many of the latter.[64] Similarly in Arthur Road and Grant Road several mobs of Hindus committed retaliatory acts of violence.[65] At Kamathipura a large body of Hindus attacked the mosque in that area and intense fighting ensued.[66] In Umarkhadi Road and neighbouring areas many mobs of Hindus attacked solitary Muslims and at Chinch Bandar both parties fought pitched battles.

The mill workers were also brought into the fray right on the first day, though their participation was still limited. In Chinchpokli the Hindu mill workers attacked the Muslim weavers only to be dispersed by the military[67] and towards midnight of the 11th 300 Hindu mill hands came out bent on revenge at the Arthur Road but were kept in their chawls with great difficulty.[68]

While people from both communities attacked each other desecrated temples and mosques, looted property, both of them turned upon European and native police and military. Little regard was shown for the authority and the military fired in several instances killing many people. These

incidents continued till midnight without stop The military report says

> No sooner was one district reduced to comparative quiet by the presence of troops than fresh riots broke out beyond the spheres of existing patrols and as darkness came on the difficulty of watching long lines of streets with innumerable intersecting gullies increased enormously It was felt therefore that the force employed was insufficient and urgent orders were despatched to Colaba for four field guns and the loyal North Lancashire Regiment to parade at once and proceed to Paydhuni [79]

This was on the first day The second day that is, Saturday August 12 brought the mill workers into the vortex of the riot Though they were influenced by cow protection propaganda and the Prabhas Pattan riot the immediate cause of their participation seemed to be the riot in Bombay itself On Saturday the workers left their mills and threw stones at other mills to bring other workers out This way after sometime all the mills were closed and more than one lakh workers were on the street The majority being Maratha Hindus they naturally took the side of the Hindus and started attacking and killing the Muslims They did not pay the least heed to the persuasion of their employers to remain at work and dispersed in most of the northern parts of the city While many of them were carrying generally pieces of firewood and attacked the Musalmans at Chinchpokli Arthur and Parel Roads Siwri Mazagaon and the vicinity killing and wounding many [1] some of them went towards Mama Hajani a mosque very sacred to the Muslims situated on the rocks surrounded by water They attacked the people inside the mosque with stones and brought down a portion of it by means of thick long bamboo sticks

On this day most of the northern area were ruled by the workers The *Times of India* reports

> Early in the morning at about 8 o clock they (the mill workers) took possession of the whole of the Curzum Road the Curzum Block Road and their adjacent localities and ran about like mad lunatics raving and carrying out *Mahadev Kirtah* and belabouring and in some cases murdering stray Muhammadans who happened to meet them in the streets They attacked every shop owned by Muhammadans in these localities and robbed and plundered right and left A strong party of mill hands then attacked the mosque of the Borees in a by lane called Mangalwady on the main Curzum Road and having brought out the doors and windows and furnitures including even the cooking pots of the mosque into the street set fire to them causing a great panic to the inhabitants of the locality [3]

When confronted by the police or military the workers sometimes fought and at other times laid down their sticks only to pick them up after the withdrawal of the military In one instance being cornered by the military, a large body of mill workers laid down their sticks and bludgeons But as soon as the military withdrew they picked them up and attacked the Pathans in a neighbouring locality [4]

These workers roamed around the railway lines attacking the Muslim employees at the stations and decorating mosques on the roads leading to Dadar and at other places in the northern parts of the city They conducted these operations with much cleverness The authorities found it hard to check them For the rioters having learnt where the military and police guards were stationed took advantage of this to select isolated spots for their operations and proceeded to murder and plunder such victims as they could find The police and troops were frequently unable to reach such places for some time and the marauders were thus able to carry out their nefarious intentions with comparative impunity In one instance when information was received that the workers had attacked the Masjid situated in the compound of a bungalow known as the Nawab of Beyt's house now in the occupation of Mr Haji Cassum and a strong body of police was despatched for the arrest of the offenders Before the police could get to the place the mosque had been deserted and the *Koran* and other religious books and several odds and ends that were within the building were torn or broken to pieces

Though on Saturday the field was held by the Hindus the Muslims were not far behind In fact in the early morning a large band of fulahas issuing from Madanpura Ripon Road with old knives nails razors and other weapons tied on the end of sticks crossed the flats beyond the Byculla club and severely injured a number of Hindus They also created trouble at Duncan Road and Khoja Street and at the junction of Don Tad and Paydhuni Roads they were throwing stones from three sides In another instance a Muslim burial party consisting of three to four thousand men turned violent and was fired upon by the military killing half a dozen and wounding about forty or fifty [5] In yet another instance the fulahas and others in an attempt to rescue the arrested were fired upon and one got killed [50] In Khetwady and Girgaum some of the Hindu temples were wrecked in Arthur Crawford Market Hindu shopkeepers were attacked and at the Jackeria Masjid the police and military were attacked in which one policeman got killed two Hindu temples at Durga Devi and Falkland Road were destroyed [1]

At several places both parties were engaged in desperate fightings In Chinchpokli a free fight had taken place between the two rival factions and there were eight men killed and about a hundred seriously injured"[82] In Kamathipura and Northbrook Gardens 'there were desperate contests between Kamathis and Julahas' [83] Several burial processions were attacked In Islampura a fight took place between the *Chalee Chores* and the Hindu residents of that area in which many of the former were mortally wounded [84]

The mill workers were very active in these riots They not only went to some other areas to attack the Muslims but also attacked their Muslim fellow workers In one instance a whole row of chawl houses on Parel Road, the upper storeys of which were occupied by poor Muslims had been forced into a state of siege by the Hindus all over the way who armed with lathis had come down in hundreds driven the occupants into their quarters and hurling volleys of stones at them forcing them to close every shutter and hopelessly stand a siege [85] In another instance many Muslim workers wanted to leave the mill areas and go to Nagpada which was dominated by Muslims and they had to be escorted by the police through besieging Hindu workers [86] In another incident one Abdul Aziz carrying food for his relative at Kaiser e Hind Mill was killed near the mill Such incidents were quite common Not only were the Hindu mill workers attacking and killing their fellow Muslim workers but Muslim *talimwallas* were attacking Hindu *talimwallas* Julahas from U P were murdering their own Hindu countrymen and vice versa

Loot was one main motive now induced into the riots Property was looted from religious places shops and private houses Parsees by were also robbed and sometimes the loot became the principal motive transcending all the others The police report says that so little regard was felt by the *badmash* element for their religious principles that the shops of both Musalman and Hindu were robbed by members of their own race and creed [88]

On August 13 some Hindu mill workers learnt that some Muslims had been given protection by a Parsi at Girgaum Road They went to the Parsi and demanded some money threatening that if it was not given they would force their way into the place and murder him On this the Parsi paid them ten rupees After some time another batch of workers came demanding the same On being refused they broke open the gate and entered the house but finding nobody there, returned [7]

On Sunday the mills remained closed and the usual loot and decoration were taking place in most of the mill areas In Worli Matunga Parel Mazagaon Dalwady etc, hordes of workers could be seen going around doing mischief [89] At Curry Road four Musalmans were killed [91]

Although such incidents were still taking place by the evening of the thirteenth Sunday the worst was over On the following day however there were again some disturbances in Kamathipura In Chinchpokly a mill area two Muslims were murdered and in Worli another mill locality two *dargahs* were decorated and demolished [7]

The mills remained closed on Monday, the fourteenth because the workers refused

to attend as they feared that in their absence their families would be attacked [93] They caused some trouble also in Parel, Elphinstone Road and Fergusson Road but when the military arrived they put down their sticks and went away [94]

Even after a week since the beginning of the riot the mill workers were refusing to join their work It was only on Saturday August 19 that most of them went to their mills But even then they did not feel quite calm as false alarms kept sounding time and again In one instance The Hindu mill hands working in the mills at Kala Chowkey Road stopped work about midday on Saturday and turned out into the roads on hearing a report that the Muhammadans were coming to attack them Having waited outside the mills about 10 minutes and being assured that it was a false alarm they resumed work [95]

Events took a more serious turn on Sunday the twentieth when again a false alarm was sounded at Pydhuni This time the Hindus who had gathered to defend themselves did not go back even after learning that the alarm was false They started attacking stray Muslims and it was only after the arrival of the military that they were dispersed [96] A similar alarm was raised at Bhuleshwar Chokshi Bazar and Bhoiwada and again several passers by were attacked A Muslim man was attacked and injured near the Mulji Jaitha Market where he had gone to make some purchases [97]

The situation was such that even after four weeks since the riots broke out the police commissioner did not feel confident enough to conclude that peace has been entirely restored [98]

The actual rioting had taken place only on three days but its intensity was such that 81 persons were killed 700 injured and 1 550 arrested 60 temples and 33 mosques were damaged or destroyed property worth lakhs of rupees was looted and destroyed [99]

The aftermath of the riot saw another development and that was the shifting of quarters Right since the beginning of the riot people had started moving to the areas where their co religionists dominated During the riot the police and military had to escort them and such escort parties were attacked in many instances If the people ventured to move without escort they were doubtlessly assaulted and wounded or killed Even after the riot was over we find people moving to safer areas The *Bombay Gazette* reported that some Hindu residents in Bhendy Bazar and surrounding streets had brought labour carts to their doors and were preparing to remove their goods and chattels to Hindu quarters [100] Such instances were frequent Many people had started leaving Bombay at least for the time being It was reported that at least about ten thousand people including women and children left Bombay on Wednesday' [101] The events and developments showed that the communal feelings and the fear psychosis arising therefrom were getting rooted in the mind of the populace

IV

Conclusions

As in any other riot the people who participated in this riot had a variety of motives Though the cow protection propaganda and the Prabhas Patan riot might have started it once the riot was on it had a logic of its own The feeling of communal revenge of personal defence of group rivalry and desire to loot kept it going on In fact the cow protection propaganda could not have made so much impact on the Hindu mind because many of the participants like Mahars and Telugu Chamars were not only cow eating but cow carrion eating [102] As for the mill workers even though they were Marathas they had little time for this cow protection propaganda

Another significant fact was that some of the rioters on both sides were paid by their co religionist patrons The police report states that the ten or fifteen pardeshis who were near the Bhuleshwar temple on Saturday the second day of riot and Sunday have been paid by the *shetias* on Saturday morning The report adds I saw about 70 Maratha Ghatis loitering about in Kandewadi they were very much agitated and all had sticks I asked them whether they were paid promised payments but they bitterly complained about the *shetias* and on Sunday some of Malvanis threatened Vizbookandass [103] Similarly we find that cart loads of sweet meats were supplied by wealthy Hindus to be distributed among their poor co religionists The Muhammadans also have been distributing *nans* and plantains to the poor of their community [104]

However payments made to instigate rioting were not very common Only in a few instances the rioters were paid but in most others they participated on their own Loot mostly though not invariably on communal lines was a stronger motive But even looting did not form the primary motive on the whole The desecration and destruction of small temples and *dargahs* were not motivated by the desire of loot

The defensive reaction though very prominent could not account for the attacks committed either by the mill workers or by other groups Going around murdering people could not be said to have been derived from the desire to defend themselves

So the conclusion which presents itself is that though a variety of motives went into the making of the riots, the lines between we and they were drawn along communal lines All the other motives and identities tended to get dissolved into communal identities at that point of time Caste, class, occupation and region were subordinated to the communal identity

However, this was only for the time being The relative proportion of Muslims in the Hindu-dominated areas or the Hindus in the Muslim-dominated areas did not show a major decline over the years, despite a few migrations Similarly, we find other loyalties taking over when the Sunnis attacked the Bohras in 1904 and the Julahas in 1908 during the Muharrum, or in 1911, on Muharrum day when Muslims and Hindus fought together against the police.

In police firing seven Hindus were killed and many injured along with the Muslims [105] Among mill workers also Hindus started working and living amicably with the Muslims even though immediately after the riot they had forced some of the millowners to dispense with the services of most of their Musalman employees" [106]

Notes

[I wish to thank S Bhattacharya for his comments on earlier drafts of this paper]

1 Dipesh Chakrabarty Communal Riots and Labour Bengal's Jute Mill Hands in the 1890s in *Past and Present* No 91, May 1981 pp 140-49

2 He says that from the early 1890s onwards a communal culture grew in the northern parts of Calcutta and its northern suburbs areas which had concentrations of immigrant merchants and labourers' In ibid p 142

3 For example, Ranajit Das Gupta Material Conditions and Behavioural Aspects of Calcutta Working Class 1875 1899 *Occasional Paper No 22* Centre for Studies in Social Sciences Calcutta Also Some Aspects of Labour History of Bengal in the Nineteenth Century Two Views' *Occasional Paper No 40*, Centre for Studies in Social Sciences Calcutta for Dipesh Chakrabarty's Rejoinder and Ranajit Das Gupta's reply

4 S Bhattacharya 'Labour and Capital in Bombay City, 1928 29 in *Economic and Political Weekly*, October 1981 Nos 42-43

5 In the following account I shall use the term Hindu and Muslim It is not because these identities are exclusively and permanently valid they could never be. The people had several identities, e g, Marathas Kamathis, Bhayyas, Seedis, Pathans Julahas mill workers, dock labourers etc. These terms are also not used as academically convenient categories that would be presumptuous. But at that moment, during the riots, all identities tended to get dissolved into two forms—Hindus and Muslims, i e, along communal lines It is in this sense that the use of these terms are justified

6 *Census of India* 1921, Cities of Bombay Presidency, pt I, p 14

7 Calculated from various Census Reports of Bombay City

8 Jim Masselos, 'Power in the Bombay 'Mohalla', 1904-15 An Initial Exploration into the World of the Indian Urban Muslim' in *South Asia*, 1976, Vol VI

Three of the nine circles in Chakala in 1901, for example, had very low Muslim percentages of 7 8, 16 2, 23 0, while the other six had very high percentages ranging from 99 8, 93 2, 87 8, 68 1 down to

63 6 Even allowing for probable inaccuracies in census data there were thus extremely heavy concentrations in these four sections which combined with circles 3 and 9 of Mandvi and circles 4 and 5 of Bhuleshwar may be said to constitute the Muslim quarter of the city p 77

9 *Census* 1921 op cit p 5

10 Calculated from various census reports on Bombay city Comparable figures for 1891 are not available

11 Morris D Morris *The Emergence of an Industrial Labour Force in India A Study of the Bombay Cotton Mills 1854 1947* Bombay 1965 p 79

12 Computed from censuses Comparable figures for 1891 and 1901 are not available *The Gazetteer* op cit p 226 says that of the mill operative population about three quarters are Hindus These figures are impressionistic and not based on any data There are however another piece of evidence which supports my statistical conclusion Morris quoting a BMOA survey in 1940 says that Muslims the only other large group distinguished made up 5 2 per cent of total mill workers (Morris op cit p 75) This figure is almost equal to the above figure for 1921 for all the workers

13 Judicial Department (henceforth JD) 1894 Vol 281 94 (henceforth referred to as Police Report or PR) p 2 Maharashtra State Archives Bombay (henceforth MSA)

14 JD 1893 Vol 194 p 155 MSA

15 Telegram from Her majesty s secretary of state of India dated November 17 1893 in PR p 21

16 See Gyan Pandey Rallying Around the Cow The Sectarian Strifes in Bhojpuri Region in Ranajit Guha (ed) *Subaltern Studies II*

17 Home Department (special) 1893 *Report on Cow Killing Agitation* by E C Cox Superintendent of Police in charge of special branch MSA p 371 Also JD 1893 Vol 194 p 156

18 The report says that amongst prominent supporters are Mr Kavasji M Shroff Mr Javerilal Mr Malabari Dr Deshmukh etc JD Vol 194 p 156

19 Home Department (spl) 1893 op cit p 373

20 Ibid p 373

21 JD 1983 Vol 194 pp 157 8

22 Home Department (spl) op cit p 374

23 Ibid p 375

24 Letter by Ameer Mahomed Khan to *Bombay Gazette* p 42 (All the reports on the riot which appeared in the *Bombay Gazettee* (henceforth BG) and *The Times of India* (henceforth TOI) were compiled in simple volumes and are kept in the JD 1893 Vol 194 files All the references to these reports are from these files)

25 Home Department (spl) op cit p 375

26 Ibid p 378

27 Home Department (spl) 1893 File No 1002 p 171

28 Home Department (spl) Report by E C Cox, op cit p 376

29 PR p 8

30 JD 1893, Vol 194 p 158

31 Home Department (spl) op cit p 377

32 Ibid, pp 377 8

33 Ibid p 378

34 Ibid p 378

35 PR, p 3

36 Home Department (spl) op cit p 380

37 PR, op cit, p 3

38 Ibid, p 3

39 Home Department (spl) op cit p 380

40 PR p 3

41 Ibid p 3 Home Department (spl) op cit pp 380 1

42 Home Department (spl) p 381

43 I R p 3

44 Reported in *Pioneer* quoted in *BG* op cit p 48

45 Quoted by *Pioneer* given in *BG* p 48

46 PR p 3

47 JD 1893 Vol 194 p 155

48 PR p 3

49 *BG* op cit p 11

50 PR p 3

51 *Pioneer* given in *BG* p 49

52 Home Department (spl) op cit p 383

53 *BG* p 11 PR p 3

54 JD 1893 Vol 194 p 156

55 *TOI* August 12 1893 reprinted in the J D 1893 Vol 194

56 Ibid

57 PR p 1

58 PR p 3 On August 10 in a meeting of Gau Palan Upadeshak Mandal in Madhav Bagh many speakers asked the Hindus to be prepared as the Muslims would create disturbances on 11th

59 PR p 4

60 PR p 5

61 Ibid

62 Ibid

63 Ibid *BG* p 3

64 PR p 6

65 *BG* pp 2 3

66 PR p 6

67 *BG* p 5

68 PR p 6 *BG* p 5

69 PR p 6

70 Quoted in PR p 13

71 PR p 7

72 *TOI* August 14

73 Ibid

74 *BG*, pp 7 8

75 PR p 7

76 He was the same person in whose building the meeting of Muslims was held on the morning of eleventh

77 *TOI* August 14 1893

78 PR p 7

79 PR p 8 *BG* p 6

80 *BG* p 6

81 *BG* p 7

82 *TOI* August 14 1893

83 PR p 7

84 *TOI* August 14 1893

85 Ibid

86 Ibid

87 Ibid

88 PR p 8

89 *BG* p 9

90 Ibid

91 PR p 8

92 *BG* pp 11 12

93 Ibid p 11

94 *TOI* August 15 1893

95 *BG* p 20

96 *BG* p 23 PR p 8

97 *BG* p 23

98 PR p 9

99 PR Appendix A These figures particularly about the dead and injured are an understatement because it was difficult to account for the casualties at the height of the riot and all the dead were not reported and most of the injured did not go to the hospital

100 *BG* p 13

101 Ibid p 28

102 JD 1893 Vol 194 p 158

103 JD 1893 Vol 194 p 157

104 *TOI* August 15 1893

105 Jim Masselos Power in the Bombay Mohollas in *South Asia* 19 6 pp 83 7

106 *Indian Textile Journal* August 1893 p 219

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CITIBANK

(INCORPORATED WITH LIMITED LIABILITY IN THE U.S.A.)

BALANCE SHEET OF THE INDIAN BRANCHES AS AT THE CLOSE OF BUSINESS MARCH 31, 1989

Previous Year As at December 31 1987 Rs. P.	CAPITAL AND LIABILITIES	Rs. P.	Rs. P.
100 000 000 00	**1 Capital** Face value of Securities deposited with Reserve Bank of India under Section 11 of Banking Regulation Act 49		
NIL	**2 Reserve Fund and Other Reserves** i Property Fund Reserve See Note 4 Transfer from Profits of previous years		
NIL	ii Furniture Equipment Reserve See Note 4		
NIL	iii Reserve under Section 11 of the Banking Regulation Act 49 Transferred from previous year's Account		
NIL	**3 Deposits and Other Accounts** Fixed Deposit i From Banks 50 00 000		
4 073 935 261 99	iii From Others 1 105 473 103 415		
4 073 935 261 99		1 415 473 103 415	
328 488 620 11	Savings bank deposits	488 38 855 16	
	Current Accounts		
	Contingent Accounts etc		
26 476 287 10	ii From Banks 6 906 014 [illegible]		
1 709 313 458 75	iii From Others 1 703 115 154 [illegible]		
1 735 789 745 85		0 94 106 [illegible] 15 08	
6 138 113 627 95			1 954 0 [illegible]
	4 Borrowings from Other Banking Companies Agents etc		
1 135 488 789 41	ii In India 51 000 [illegible]		
8 248 631 24	ii Outside India 5 [illegible]		
1 143 737 420 53			1 517 8 [illegible]
	Particulars		
NIL	ii Secured NIL		
1 143 737 4 0 3	ii Unsecured 1 517 8 8 1 [illegible]		
129 503 935 64	**5 Bills Payable**		388 445 638 50
	6 Bills for Collection being Bills Receivable per Contra		
181 226 852 55	ii Payable in India	5 [illegible] 443 408 014	
61 794 711 21	iii Payable outside India	7 [illegible] 357 [illegible]	
243 021 563 76			447 400 [illegible] 73

	Rs. P.
1 Cash In hand (including foreign currency notes) and in Reserve Bank of India and other Banks	85 685 256 17
2 Balance with Other Banks	
NIL	
NIL	
	1 164 623 052 28
3 Money at Call and Short Notice	80 000 000 00
4 Investments Government and State Securities (including Treasury Bills, Central and State Government Securities) Quoted Investments at Market Value Unquoted Investments at Cost Treasury Bills at face value	31 5 75 [illegible]
Shares Fully Paid—at cost	
Debentures or Bonds at Market Value or cost in the absence of quotation See Note [illegible]	10 140 015 57
Other Investments at cost Investments outside India	
NIL	135 102 [illegible]
NIL	
	4 830 612 770 82
5 Advances See annexed Schedule Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors	
i Loans Cash Credits Overdrafts etc i In India 7 019 2 5 135 14	
NIL	
i Outside India NIL	
	7 019 25 135 14

[illegible]	7 Other Liabilities		
497 439 4[illegible]3 64	ii Sundry Accounts	[illegible]	
167 708 444 09	iii H O and Branches Balance net including Overseas Branches	[illegible]	
694 973 789 30			8[illegible] 349 514 [illegible]5
2 247 592 415 63	**8 Acceptances Endorsements and Other Obligations per Contra**		1 5[illegible] 8[illegible] [illegible]1
229 674 834 0[illegible]	**9 Profit and Loss**		
	Profit as per last Balance Sheet	[illegible]	
NIL	**Less** Amount Transferred to Reserve retained for Investment in Properties in India See Note	[illegible]	
56 00[illegible] 833 00	**Less** Amount remitted to H[illegible]	[illegible]	
173 671 001 02		[illegible]	
75 628 010 [illegible]2	**Add** Profit for the period [illegible] from Profit and Loss Account	[illegible]	
249 299 011 24			1 5[illegible] [illegible]
	10 Contingent Liabilities		
	i Outstanding Guarantees including Guarantees given on behalf of [illegible] Previous Year Rs [illegible]	[illegible]	
5 041 626 463 90	ii Outstanding Forward Exchange Contracts	[illegible]	
16 788 569 044 67	iii Bills of Exchange Rediscounted	[illegible]	
1 464 520 400 28	iv Collection Documents [illegible] Banks [illegible]	[illegible]	
25 607 528 75	v Claims against the Bank acknowledged as debt	[illegible]	
341 552 114 00	vi On Factor Paid [illegible]	[illegible]	
NIL	vii Other Money for which the Bank is contingent	NIL	
NIL			
10 846 241 764 05	TOTAL RUPEES		1[illegible]

[illegible]	[illegible]		
[illegible]	i Payable in India 847 4[illegible]6 530 [illegible]		
[illegible]	ii Payable Outside India [illegible]3 976 414 07		
[illegible]		911 40[illegible] 944 36	
[illegible]			7 930 628 079 54
	6 Bills Receivable being Bills for Collection per Contra		
[illegible]	i Payable in India	367 443 308 03	
[illegible]	ii Payable Outside India	[illegible] 957 628 70	
[illegible]			447 400 936 73
	7 Constituent s Liabilities for Acceptances Endorsements and Other Obligations per Contra		1 596 8[illegible] 214 21
[illegible]	**8 Premises Less Depreciation**		
[illegible]	A Cost as of December 3[illegible] 1987	19 742 013 59	
[illegible]	**Add** Additions during the period	13 743 900 00	
[illegible]		33 475 913 59	
[illegible]	**Less** Deductions during the period	NIL	
[illegible]		33 475 913 59	
[illegible]	**Less** Depreciation written off to date	5 3[illegible] 746 95	
[illegible]			28 082 166 64
	9 Furniture and Fixtures Motor Vehicles etc less depreciation		
[illegible]	A Cost as of December 31 1987	[illegible] 306 92	
[illegible]	**Add** Additions during the period See Note 4	[illegible]	
[illegible]		[illegible] 104 09	
[illegible]	**Less** [illegible]	[illegible]	
[illegible]	**Less** Depreciation [illegible]	[illegible]	
[illegible]			284 160 939 23
	10 Other Assets		
[illegible]	i Accounts Receivable	1 5 181 547 34	
[illegible]	i Interest Commission Earned not Collected	366 755 8[illegible]1 35	
[illegible]	ii Interest Accrued on Investments	26 553 0[illegible]4 74	
[illegible]	i Clearing and Cash item	66 356 872 20	
[illegible]	Stamps on hand	163 490 65	
[illegible]	vi Deposits and Prepayment and Capital asset under installation	233 010 675 30	
[illegible]	vii Deposits with IDBI	19 065 000 00	
[illegible]	viii Interest Paid in Advance	45 887 447 41	
[illegible]	x Sundry Accounts (Including Matured Investments Rs 1 160 000 Previous Year Rs 9 124 700	181 718 479 65	
[illegible]	x H O and Branches (Net) including Overseas Branches	NIL	
[illegible]			1 054 692 358 64
NIL	**11 Non Banking Assets Acquired in Satisfaction of Claims**		NIL
NIL	**12 Profit and Loss**		NIL
[illegible]	TOTAL RUPEES		19 269 762 774 26

Notes to the Accounts annexed

Per our report attached
For A F FERGUSON & CO
Chartered Accountants
Sd/-
F N PAVRI
Partner

PLACE BOMBAY
DATE JUNE 30 1989

Sd/-
JAITHIRTH RAO
Chief Executive Officer—India

CITIBANK

(INCORPORATED WITH LIMITED LIABILITY IN THE U S A)

PROFIT AND LOSS ACCOUNT OF THE INDIAN BRANCHES FOR THE PERIOD JANUARY 1, 1988 TO MARCH 31, 1989

Previous Year Rs P	EXPENDITURE	Rs P	Previous Year Rs	INCOME	Rs P
625 [illegible] 672 [illegible]	1 Interest paid on Deposits Borrowings etc	[illegible]	[illegible]	[illegible] and [illegible]	1 960 470 965 87
62 [illegible] 231 51	2 Salaries and Allowances Provident Funds Retirement Benefit	[illegible]	[illegible]	[illegible] Exchange and Brokerage	477 810 325 09
32 [illegible]	3 Directors and Local Committee Members Fees and Allowances	[illegible]	NIL	3 Rent	NIL
380 [illegible] 525 60	4 Rent Taxes Insurance Lighting etc Include Provision for Taxation—Rs [illegible] Previous Year Rs [illegible] 204	388 183 675 89		4 Net profit on sale on Investment [illegible] and Silver Land Premises and other Assets [illegible] credited to Reserves [illegible] Account	
2 027 374 04	5 Law Charges	[illegible] 519 53			
13 133 720 39	6 Postage Telegram & Stamps	28 033 [illegible] 26	NIL		NIL
225 000 00	7 Auditors fees	525 000 00		5 Net profit on revaluation of Investment [illegible] and Silver Land Premises and other Assets [illegible] credited to Reserves [illegible] Account	
35 992 236 89	8 Depreciation on and Repairs to the Banking Company's Property	[illegible]			
14 131 475 06	9 Stationery Printing Advertisement etc	[illegible]	NIL		NIL
NIL	10 Loss from Sale of or Dealing with Non Banking assets	NIL		Income from Non Banking Assets and Profit from Sale of or dealing with such Assets	
99 251 098 81	11 Other Expenditure (including Head Office Administration Expenses)	129 631 [illegible]	NIL		NIL
105 152 704 22	12 Balance of Profit	42 11[illegible] 685 [illegible]	[illegible]	7 Other Receipts Net	54 057 490 53
			NIL	8 [illegible]	NIL
1 338 596 380 90	TOTAL	[illegible]	[illegible]	TOTAL	492 338 781 49

Previous Year Rs P		Rs P	Previous Year Rs P		Rs P
29 [illegible]24 694 00	1 Short provision for taxation for earlier years	NIL	[illegible]	1 Balance of Profit for the period brought down	242 110 685 64
NIL	2 Transfer to Reserve under Section 11 2(b)(iii) of the Banking Regulation Act 1949	55 733 048 33	NIL	2 Excess Provision for Tax for earlier years written back	36 554 556 00
75 628 010 22	3 Net Profit carried to Balance Sheet	[illegible] 193 31			
105 152 704 22	TOTAL	278 665 241 64	[illegible]	TOTAL	278 665 241 64

Notes to the Accounts annexed

Per our report attached to the Balance Sheet

For A F FERGUSON & CO
Chartered Accountants
Sd/
F N PAVRI
Partner

PLACE BOMBAY
DATED JUNE 30 1989

Sd/
JAITHIRTH RAO
Chief Executive Officer—India

CITIBANK

(INCORPORATED WITH LIMITED LIABILITY IN THE U S A)

PARTICULARS OF ADVANCES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT CLOSE OF BUSINESS, MARCH 31, 1989

Previous Year As at December 31 1988 Rs			Rs
[illegible]		Debts [illegible] the Banking Company [illegible]	[illegible]
[illegible]	ii	Debts [illegible] which the Banking Company [illegible] the debtor personal security	[illegible]
[illegible]	iii	Debts considered good [illegible] the personal liabilities [illegible] the personal security [illegible] debtors	[illegible]
Nil		Debts considered doubtful or bad [illegible] provided [illegible]	
[illegible]		TOTAL	[illegible]
[illegible]		Debts due by Directors [illegible] Banking [illegible] severally or jointly with [illegible]	[illegible]
	vii	Debts due by Companies or Firms in which Directors of the Banking Company are interested as Directors Partners or Managing Agent [illegible] the case of Private Companies as Members	
Nil			
[illegible]	vii	Maximum total amount of advances including temporary advances made at any time during the year to Directors or Managers or officers [illegible] the Banking Company or any of them either severally or jointly with any other person	[illegible]
	vi	Maximum total amount of advances including temporary advances granted during the year [illegible] Companies or Firms in which the Directors of the Banking Company are interested as Directors Partners or Managing Agent [illegible] the case of Private Companies as Members	
Nil			Nil
[illegible]	ix	Due from Banking Companies	[illegible]

PARTICULARS OF REMUNERATION RELATING TO THE CHIEF EXECUTIVE OFFICER IN INDIA DURING THE 15 MONTHS PERIOD ENDED MARCH 31, 1989

[illegible] Rs		1988 [illegible] Rs
[illegible]		[illegible]
	[illegible]	Nil
[illegible]	[illegible] Fee	Nil
	[illegible]	Nil
	[illegible] Provide Fun [illegible]	
	[illegible]	Nil
	[illegible]	
[illegible]	[illegible]	Nil
	[illegible]	[illegible]
	TOTAL	[illegible]

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE PERIOD JANUARY 1, 1988 TO MARCH 31, 1989

The total [illegible] the entitled employee as at March 31 1989 to be discharged in future [illegible] with the Payment [illegible] Act and the Bank Rules is estimated on the basis of actuarial valuation [illegible] Rs [illegible] previous year Rs [illegible] which taking into account the estimated tax benefit [illegible] Rs [illegible] previous year Rs [illegible] in respect [illegible] which provision of Rs [illegible] previous year Rs [illegible] is held in the accounts

The total liability as at March 31 1989 to be discharged in future under the Bank's Pension and [illegible] Retirement Plans introduced in earlier years as determined by actuary is Rs [illegible] previous year Rs [illegible] which taking into account the estimated tax benefit works out to Rs [illegible] previous year Rs [illegible] which will be accounted for on a cash basis

3 The Bank has retained in the Reserve Fund Account Rs [illegible] representing deposits for Premises taken on lease as per the Reserve Bank of India guidelines This amount has been retained with the approval of Reserve Bank of India out of the approved remittable surplus of earlier years

4 The value of computers etc used in the Indian business as of March 31 1989 gifted in earlier years by the Banks Head Office has been transferred during the period and shown as additions to Fixed Assets with a corresponding Furniture Equipments Reserve established

5 The Bank has changed the method of valuation of its investments so as to include in market value thereof interest accrued but not due (net of handling commission) Due to this change investments have increased by Rs [illegible] interest accrued on investment has decreased by Rs [illegible] and profit after tax for the period has reduced by Rs [illegible]

Sundry Accounts under the head Other Liabilities and Other Assets include amounts pending transfer to appropriate accounts

7 Bills received from constituents for collection on their behalf are controlled through memorandum registers and are recorded in financial ledgers only when collected These bills for collection outstanding as on March 31 1989 have however been shown in the Balance Sheet under the relevant heads of account

8 Bank's own Assets and Liabilities in foreign currencies are converted at the rates ruling at the year end and forward exchange contracts are reflected at contracted rates

By the Companies Act 1956 the Bank is exempt from disclosing matters not required to be included by the Banking Regulation Act 1949 and these accounts have been prepared accordingly

10 Previous year's figures have been regrouped wherever necessary Current year's figures are for a period of fifteen months and hence not comparable with the previous year

The Indian Branches of the Bank as at March 31 1989 are at
Bombay (Fort and Nariman Point) Calcutta (Chowringhee and Brabourne Road), New Delhi (Jeevan Bharti) and Madras (Anna Salai)

CITIBANK

(INCORPORATED WITH LIMITED LIABILITY IN THE U.S.A.)

AUDITORS' REPORT ON THE ACCOUNTS OF THE INDIAN BRANCHES OF CITIBANK, N.A. UNDER SECTION 30 OF THE BANKING REGULATION ACT, 1949

We have audited the attached Balance Sheet of the Indian Branches of Citibank, N.A., incorporated with Limited Liability in the U.S.A. as at March 31, 1989 and the relative Profit and Loss Account of the Indian Branches of the Bank for the period of 15 months from January 1, 1988 to March 31, 1989 signed by us under reference to this report.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the provisions of sub-section 1 and 5 of Section 11 and sub-section 5 of Section 2-7 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account together with the notes annexed thereto are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956. The accounts are, therefore, drawn up in conformity with Forms A and B of Third Schedule to the Banking Regulation Act, 1949.

We report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.

   the transactions during the period which have come to our notice have been, in our opinion, within the powers of the Indian Branches of the Bank.

3. in our opinion, proper books of account as required by law have been kept by the Indian Branches of the Bank so far as appears from our examination of these books maintained and produced to us.

4. the abovementioned Balance Sheet and the Profit and Loss Account of the Indian Branches of the Bank dealt with by this report are in agreement with the books of account.

5. in our opinion and to the best of our information and according to the explanation given to us, subject to Note 1 regarding non provision of gratuity liability actuarially evaluated to the extent of Rs. 18,055,729 (Gross) and Note 2 regarding non provision in respect of the Bank's pension and voluntary early retirement plan for earlier years accounted for on cash basis actuarially evaluated at Rs. 425,013 (Gross) on the accounts and the consequential effects thereof on the profits and net assets of the Bank, the Accounts together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required for Banking Companies and on such basis, and subject as aforesaid, give a true and fair view in the case of the Balance Sheet of the state of affairs of the Indian Branches of the Bank as at March 31, 1989 and in the case of the Profit and Loss Account of the Profit of the Indian Branches for the period of 15 months ended on that date.

For A.F. FERGUSON & CO.
Chartered Accountants

Sd/-
F.N. PAVRI
Partner

PLACE: BOMBAY
DATED: JUNE 30, 1989

Education and Communal Politics in Bengal

A Case Study

Poromesh Acharya

The relation between educational development and communal politics in Bengal during the 30s and 40s of this century is a fascinating subject which has not received the attention it deserves from scholars of either Bengal politics or development of education in Bengal. Communal politics in Bengal has been generally studied from the standpoint of land relations as an expression of land politics. This approach, while certainly not invalid, only partially explains the problem of communalism in Bengal. Communal differentiation as rooted in the realm of cultural identity remains still an autonomous reality which needs to be taken into account particularly in dealing with issues like education. Against this background, this paper deals with the communal tensions generated by the introduction of the Bengal Secondary Education Bill, 1940, in the Bengal legislative assembly during the period of provincial autonomy.

I

THIS paper deals with the communal controversy and tension that overshadowed the political and social life of Bengal with the introduction of Bengal Secondary Education Bill, 1940, in the Bengal Legislative Assembly during the period of provincial autonomy. The paper does not intend to deal with the problems of theorising communalism as such. Yet it may provide some insights into the problem.

The relation between educational development and communal politics in Bengal during 30s and 40s in the present century makes a fascinating study. This aspect, it appears, has not as yet received the due attention of scholars who have dealt with Bengal politics or development of education in Bengal. Communal politics in Bengal has been generally studied from the standpoint of land relations as an expression of land politics. Admitting the validity of this approach, it can safely be said that this only partially explains the problems of communalism in Bengal. Communal confrontation cutting across the class structure is sometimes seen as the politics of manoeuvre due to the inner contradictions of the dominant classes. Communal differentiation as rooted in the realm of cultural identity remains still an autonomous reality which need to be taken into account particularly in dealing with issues like education. In fact, the history of education in India shows that education, even after the introduction of western education, was never a culture neutral education.

It is interesting to note that the denial of this reality by the nationalists gave rise to the communal politics of education in Bengal during the first half of the present century. It is all the more interesting that nationalism in Bengal showed clearly Hindu moorings and developed on the basis of Hindu cultural identity in spite of all claims of nationalism as a secular ideology.[1] It was no wonder that Moslem intelligentsia in Bengal did not find much difference between Congress nationalists and Hindu nationalists. In fact, the only difference was that while Hindu nationalists consciously interpreted Indian nationalism in terms of Hinduism, Congress nationalists tried to interpret Hindu nationalism as a secular ideology. It was easy for the caste Hindus of Bengal to resolve the question of their Indian identity through Hinduism. But for Bengali Moslems it was a crisis.

The crisis of Bengali Moslems can be traced back to the last century when modern Bengali language, literature and system of education were all moulded by the stalwarts of the caste Hindu community, variously known as nationalists or radicals or liberals. Obviously, a Hindu bias crept in and a feeling of alienation grew among the educated Moslems in Bengal. Bengali Moslems rejected the *dobhasi* literature and refused to accept Sanskritised or Hindusised Bengali. The Bengal government took note of it and in a letter in 1872 to the government of India wrote: "It is certain that they would have no desire to be instructed in an artificial Sanskritised Bengalee such as some Bengalee scholars affect. Some *ashraf* or higher caste Moslems in urban areas prescribed Urdu as the medium of instruction for Moslems in Bengal. But that was not acceptable to Bengali Moslems in general. However, with the rise of nationalist movement this crisis of Bengali Moslems aggravated. Failing to find a Moslem idiom of Indian identity, Bengali Moslems gradually took recourse to pan Islamism.[1] As a matter of fact, they were rather pushed to such a situation by the denial of the nationalists of the cultural roots of communal differentiation.

Bengali Moslems, however, could not resolve their crisis by taking recourse to pan Islamism and accepting Pakistan. It was only after the formation of Bangladesh that the problem could be somewhat resolved. But that is another story beyond our topic of discussion.

II

By the turn of the century Moslem public opinion became vocal against the Hindu domination over the system of education. They at the same time blamed themselves for not taking the initiative but leaving it to Hindus to shape the system of education. They, however, identified three major problems of education. These were: (i) language problem; (ii) problems of religious education; and (iii) Hindu bias in the existing education. The government of India in a letter to the secretary to the government of Bengal stated: "The reasons which have retarded the spread of secondary education among the Muhammadans are the poverty of the community, the linguistic difficulty, the demand for religious instruction and want of Muhammadan representatives on the governing bodies of educational institutions."

In the year 1915 the Bengal government constituted a committee to consider questions connected with Muhammadan education. As a general policy the committee recommended that, "while it is necessary to maintain special institutions for Moslems, it is undesirable to develop further a system of education for this community separate from that of other communities. The existing system should be carefully examined to see where they fail to satisfy members of the community and necessary modification should be introduced."[2] The committee further recommended that "the adequate representation of Moslems on the managing committees of high schools should be made a condition of receiving grant in aid from the public fund, and that the university should insist on the adequate representative of Moslems on the managing committee before granting recognition to any new school." It also recommended that "in all government schools 15 per cent of the places be reserved for Moslem boys. There should be more Moslem headmasters and assistant teachers, and adequate provision should be made for Arabic, Persian and Urdu teaching."

It appears that the committee could not resolve the problem of language study to the satisfaction of all. It recognised that Bengali must be the medium of instruction in primary schools attended by children whose

vernacular is Bengali'[9] At the same time it felt that Muhammadan boys should have the opportunity of learning the elements of Urdu to facilitate their study of the Koran[10] For the secondary level they suggested a three language formula of English Bengali and Urdu It stated we have carefully examined this question of languages to see whether the number of languages can not be curtailed and the general conclusion at which we arrived was that only one of the three languages (Persian Arabic and Urdu) need necessarily be studied thoroughly [11] It may be noted that this emphasis on Urdu was not without reason According to the committee Urdu is a language which is not only spoken by the Moslems of other parts of India but has also come to be regarded as the *Lingua franca* of the whole country [12] In fact by introducing Urdu Bengali Moslems wanted to resolve their problem of Indian identity

The Calcutta University Commission 1917 1919 also considered the problems of education of Bengali Moslems The Commission received several Moslem deputations and summarised some of their grievances A few revealing grievances were as follows

(a) the encouragement by the university of a Sanskritised Bengali which is difficult for Muslimans to acquire

(b) the use by the university of books which are either uncongenial to Muslimans as being steeped in Hindu religion and tradition or even positively objectionable to them because they contain statements offensive to Muslim sentiment Elphinstone's History of India is cited as a case in point

(c) The requirement that each candidate should write his name instead of giving a number on the answer books shown up at university examinations (It is suggested that this practice operates to the prejudice of Moslem candidates) and

(d) It was alleged that out of 895 examiners appointed by the Calcutta University in 1917 in subjects other than Urdu Persian or Arabic nine only were Muslimans As such they demanded fair share in the appointment of university examiners [13]

The claim for fair share in educational management became the main issue during the period of diarchy Hartog observed the transfer of the Department of Education to popular control as represented by a minister both increased the public interest in it and made it more sensitive to the currents of public needs and public opinion Muhammadan community particularly had awakened to the need and possibilities of education [14] In fact during the period of diarchy certain concrete measures were taken for the extension of primary education in Bengal A centralised and uniform system of primary education was being introduced in Bengal for the first time As a result primary education made a certain degree of progress Interestingly Moslems formed nearly 54 per cent of the total roll strength and the Hindus and other communities together formed 46 per cent Moslems, however were still lagging far behind in secondary and higher education They strongly believed that the Hindu bias in the present system was a major if not main hindrance to their education And to change it they need to achieve some control over the system of education

There was a very strong resentment among Bengali Moslems against the prescribed text books and the Sanskritised Bengali language The Report of Dacca University Committee stated in this regard that Bengali literature is at present permeated mainly by Hindu ideas and there is a great paucity of literature on subjects derived from authentic Arabic or Persian sources such as will interest Muhammadan students It suggested that the government or the university should encourage authors to publish Bengali books of a Muhammadan character and that such book should be included in the works prescribed as models of style [15] An analysis of the Moslem public opinion as reflected in journals edited by Bengali Moslems will show the depth of this resentment It was even alleged that books authored by Moslems were not selected as the text book selection committees were dominated by the Hindus [16] Abul Mansur Ahmed a writer and a political leader of repute alleged that one Hindu publisher refused to print a book as he used the word *pani* instead of *jal* meaning water He also alleged that his book *Aya Para* was not approved by the text book selection committee on the ground of too many Arabic and Persian words It happened when Fazlul Huq was the education minister [17]

Azizul Huq vice chancellor of Calcutta University and the speaker of Bengal Legislative Assembly in his note to Kamal Yar Jung Education Committee wrote with the beginning of the new reaction Bengali of the fifties and sixties of the last century contained such stiff Sanskritised words and phrases that it is doubtful if any average Bengali unless he is a good Sanskrit scholar can even understand them No doubt the language has thereafter been liquified to some extent in process of time But it still contains many hard Sanskrit words specially in some of the school and college text book It is with this inherent disadvantage that the Muslim student has also to join the present system of education But he has also to contend against the syllabuses schemes of study and text books He reads literature and he becomes conversant with *Dev Devi Avtar Namaskar Puja* the conception of life, birth and rebirth the pantheon with all the doctrines of *Veda* and *Vedanta Puranas* and *Gita* He hardly comes across the conception of *Allah Rasul* or the meaning and import of *Namaz Haj Zakat* or the principles and doctrines of Islam in Quran or Hadis In regards to history text books he writes He reads ancient India as a study of culture in a picture of its inspiration and ideals Coming to the medieval period he immediately falls into a narration of wars and conquest, slaughter and carnage, destruction and demolition of India's past amidst patricidal and fratricidal struggles and disputes He concludes Let it be remembered that this is what a student in the most formative period of his life has to read in a school It is bound to create communal discord and deep rooted hatred No wonder the Muslim culture and social order have disintegrated under this system of education and India has not yet been able to solve the Hindu Muslim problem Azizul Haq surmised that ' The consensus of opinion among educationists is that there are two and only two alternatives Either the present system of schools and university studies must have such syllabuses and themes that the Hindus the Muslims and all other creeds and communities can meet on an essentially common platform with no influence tendency or bias in favour of the one or the other or educational India must be a federation of two or more types of educational organisations each trying to develop its own culture and heredity but in a spirit of catholicity and goodwill to others I hope and pray that wisdom and sense will still prevail and there will be a common and unified plan and programme of education '[18]

We could not help quoting him elaborately as he represented the comparatively liberal section of Bengali Moslem middle class Opinions of Bengali Moslems particularly liberal Moslems like Azizul Huq and Fazlul Haq one time premier of Bengal in regard to the Wardha scheme or basic education may be revealing Both of them and Bengali Moslems in general rejected the scheme [19] They were doubtful like their Hindu counterparts in Bengal in regard to certain aspects like self supporting nature and the role of *Takli* and *Charkha* as was proposed in the scheme But the main objection of the Bengali Moslems it appears was that the schools under the scheme would turn into *Ashram schools* like *Vidya Mandir* and preach Hinduised Congress cult in the form of *Bharatmata Bande Mataram* non violence and Gandhi cap [20] It was also feared that a reformed Hindusthani would be forced upon Moslems and thus would drive out Urdu Azizul Haq wrote There was genuine misapprehension that this new technique would inevitably lead to inculcating the same brand of nationalism with which India has been too familiar today in some of the nationalist newspaper [21] It may be noted that not only the scheme but bona fide of those who would be entrusted to implement the scheme was also in question

It is apparent that Moslem leaders of Bengal were apprehensive of the design of the nationalists This apprehension of the Moslems of Bengal was however, not totally unfounded A distinct Hindu bias was quite observable in the attitudes and activities of the nationalists in regard to different vital issues during the period of diarchy and provincial autonomy The Bengal Secondary Education Bill, 1940, was one such issue and

perhaps the most significant one. Before we come to our main topic, it may be necessary to say a few words about the Hindu mind of the time, particularly how *Hindutwa* was defined by Hindu nationalists.

III

The first Hindu Sabha which was established in Punjab in the year 1907 stated its object thus: to promote brotherly feelings amongst the various sections of the Hindu community and to improve moral, intellectual and material conditions of the Hindu. When the Hindu Mahasabha was organised on an all India basis, it became necessary to define Hindu and *Hindutwa*. Hindu Mahasabha maintained that it was not a religious organisation. *Hindutwa* or Hinduness which included Arya, Brahmo, Buddhists and Jain, was not a religion but a nationality. *Hindutwa* did not depend on particular spiritual belief or system of philosophy. Before the advent of the Muslims and Christians, all Hindu secular institutions, traditions and customs were Hindu because they were Hindustani or Indian.[3] By implication Moslems and Christians were excluded as they had denationalised themselves by accepting a foreign or non Hindu creed culturally. The All India Hindu Mahasabha in its 21st session in Calcutta defined a Hindu thus: Every person is a Hindu who regards and owns this *Bharat Bhumi* i.e. land of the origin of his religion, the cradle of his faith.[4] Earlier in its 20th session Hindu Mahasabha declared that: Hindi that is based on and drawing its nourishment from Sanskrit vocabulary is and rightfully deserves to be the national language and Devnagri is the national script of Hindusthan. In its 21st session the Mahasabha announced that: it is our bounden duty to oust out as ruthlessly all unnecessary alien words whether Arabian or English from every Hindu tongue, whether provincial or dialectical.[5] As an example they cited the Bengali language and said: "Our Hindu brethren in Bengal are especially to be congratulated upon in this connection because the Bengali literature is admirably free from any such uncleaned admixture of unnecessary alien words which cannot be said regarding our other provincial tongue and literature." Hindu Mahasabha wanted a *Sanskrit nistha* Hindi as it is in vogue now. In Bengal this process was almost complete in the 19th century by the grace of caste Hindu stalwarts like Iswar Chandra Vidyasagar, Bhudev Mukhopadhya and Bankim Chandra Chattopadhya. Bhudev Mukhopadhya was also in a way responsible for introducing Hindi in the education system of Bihar. Even A Plea for The People's Tongue by no less a person than George A Grierson, the linguist, could not restore Behari dialects as medium of instruction.[28] And thus Bihar was also included in the Hindi belt.

It is also a fact that modern Bengali literature developed in the wake of Hindu religious revivalism in the second half of the last century. The ethos of Hindu revivalism was best expressed in the writing of Bhudev Mukhopadhya, Ramesh Chandra Dutta and above all Bankim Chandra Chattopadhya. All of them wrote novels in historical settings with Moslem characters. Moslem characters generally appeared with few exceptions like Osman Khan in *Durgesh Nandini* as degenerate and inferior. Even it was alleged that historical events were wrongly portrayed to glorify Hindus and undermine Moslem characters.[9] There is no doubt that Moslem sentiment was seriously hurt.[10] The authors, however, were inspired by nationalist spirit. This identification of nationalism with Hindu glory made it difficult for Moslems to accept Indian nationalism as a secular ideology.

Absence of the Moslem world in the Bengal literature of the latter period is perhaps more significant. The voice of silence is louder. One may go through the entire literature by Rabindranath Tagore and Sarat Chandra Chattopadhya, the two greatest authors of this period, yet may not get a glimpse of the truthful Moslem world. Here and there may be a few stray characters looked from a distance. The only exception may be a short story *Mahesh* by Sarat Chandra Chattopadhya. It only shows the lack of interest on the part of Hindu intelligentsia to know intimately the world of the majority community.[11] This exclusive character of the Hindu community of Bengal is also clearly reflected in their attitudes towards the issues of education. An examination of the educational ideals developed by educationists and nationalists in Bengal who were predominantly Hindus will show the Hindu orientation of their mind. It was no wonder that Tagore's Santiniketan *ashram* was also not free from that bias in spite of his international outlook. Moslem response as a result could not be very kind. This was how the stage was set on which the drama of the Bengal Secondary Education Bill 1940 was enacted.

IV

On August 21, 1940 the premier of Bengal A K Fazlul Huq, who also held the education portfolio, introduced The Bengal Secondary Education Bill 1940 in the Bengal Legislative Assembly to provide for the regulation and control of secondary education in Bengal and moved that the bill be referred to a select committee of twelve members which should submit its report by November 30, 1940. He had proposed to include in the select committee leaders of all the different opposition groups like Syamaprasad Mookerjee, Harendra Nath Choudhuri, Ramatha Nath Banerjee, Kiran Sankar Roy and Atul Chandra Sen. But as they refused to serve on the select committee he proposed a committee of 12 members including only representatives of different groups which formed the coalition ministry. In his introductory speech he claimed that the bill was not a hurried piece of legislation undertaken in order to transfer power from one body to another, meaning Calcutta University to a Board of Secondary Education, or designed as a political measure but a measure to ensure educational reforms that had long been needed and the urgency of which had been stressed by educationists for over twenty years.[1] But the bill caused unprecedented communal tension and the legislature was divided in clear Hindu Moslem division. The only other bill that was bitterly fought on communal grounds, was the Calcutta Municipal Amendment Bill 1939.

The idea of a separate Board of Secondary and Intermediate Education was mooted in the Report of Calcutta University Commission 1917-1919.[32] In 1923 government prepared a bill proposing establishment of a Board for Secondary Education and sent it to the Calcutta University for opinion. The university rejected the bill on the ground that it proposed absolute control of the local government over the whole organisation relating to secondary education.[3] A tussle ensued and continued till 1937 between the government and the Calcutta University mainly on the issue of control of the proposed board. Both sides made several proposals in successive years till 1937. Calcutta University maintained that the Board of Secondary Education if established should be under general supervision of the senate or be a constituent body of the university to look after secondary education.[1] Government, on the other hand, was agreeable to concede certain consultative power to the university but would retain ultimate control over the board. But in 1937 the question of communal representation came to the forefront and the entire issue took a communal turn as the revised bill was sent to the university for its opinion.

In 1937 N A Jenkin, an officer of the education department drafted a bill for the establishment of a statutory board for the regulation and control of secondary education in Bengal. The government of Bengal sent the bill to the Calcutta University for the view of the university. This bill stirred the Hindu public opinion and made it a public issue, presumably for the communal safeguards included in it. The Calcutta University syndicate appointed a committee to consider the bill and submit a report. Meanwhile the government withdrew the bill in June and in November sent a revised bill to the university. The committee considered the revised bill and gave its report on December 1937. It opposed the establishment of a board that will be in effect an element in secretariat administration and supported the establishment of a Board of Secondary Education under the general control of the senate. In the opinion of the committee the bill is not a sound educational measure. It opposed the communal representation as embodied in the bill and

maintained, "As a university we are against communal representation as such We look upon this part of the bill with considerable anxiety and disfavour We believe that while framing the scheme proper representation of the educational interests of all communities can be secured without making statutory provision for representation on a communal basis [36] It is interesting that till 1937 Calcutta University did not raise any objection against communal representation though there was provision for it in the previous bills also It may be noted that in 1926 there was provision for [illegible] 14 per cent Moslem representation In the 1937 draft it was increased to [illegible] in the revised bill 41 per [illegible] reserved for Moslem [illegible] It [illegible] that in Bengal at [illegible] total population nearly 54 per cent were Moslems and Hindus and other communities only 46 per cent In the Bengal Legislative Assembly though no political party had an absolute majority Moslems constituted the overwhelming majority As such Moslem domination in the ministry was assured [illegible] On the other hand Calcutta University was overwhelmingly dominated by Hindus In such a situation control over the board by either party was likely to have a communal overtone Besides considering the grievance by Moslem deputationists to the Calcutta University commission and the opinions as reflected in the journals edited by Moslems it can reasonably be concluded that Moslems in general believed Calcutta University to be biased in favour of Hindus There is no doubt the issue of secondary board turned into a communal issue even before the introduction of The Bengal Secondary Education Bill 1940 in the legislature

In 1938 a conference was called to resolve the differences of opinion but without any result The Bengal government however could not move a bill in the Bengal legislature dealing with secondary education without amending Calcutta University Act 1904 which vested the power of controlling matriculation examination in Bengal Assam and other areas outside Bengal with the university Besides the Bengal legislature had no legislative jurisdiction over Calcutta University The Government of India Act 1935 was also required to be amended to bring Calcutta University under the legislative control of the Bengal legislature The Bengal government now moved the central government for necessary amendments A resolution adopted by the Calcutta University senate on December 12 1936 made the job easy for the government The resolution stated the senate is of opinion that the Calcutta University should be treated as provincial subject If however there are serious difficulties regarding the position of Assam then only with regard to future legislation affecting the university the federal legislature may be given the necessary jurisdiction"[37] It took some time to make the necessary amendments and from April 1, 1940 the Bengal legislature was vested with the legislative power over the Calcutta University

A K Fazlul Huq while introducing the Bengal Secondary Education Bill 1940 stated the bill proposes to establish a large Board of Secondary Education to regulate and control secondary education Secondary education embraces all education other than primary or university Education in *madrassas* and middle schools is thus included as well as education in high school [38] The bill proposed to constitute a board with 50 members of whom 25 were to be either ex officio or nominated while the rest were to be elected by different electorates like Calcutta University Dacca University Legislative Assembly Legislative Council headmasters headmistresses head of madrassas and members of the provincial board of Anglo Indian and European Education Excluding the president who would be appointed by the government there were 49 members of whom 22 were to be Hindus 20 Moslems and 7 Europeans Of the total 50 members at least 22 would be directly related to education while a number of others were likely to be indirectly related to education

The executive power of the board was however vested on an executive council of 14 members to be constituted by the board Of the 14 members 6 were to be ex officio members They were the president of the board the two vice chancellors the director of public instruction the assistant director of public instruction for Moslem education the deputy directress of public instruction for female education The remaining 8 members were to be elected by the members of the board of whom 2 would be inspectors of schools 3 Calcutta University members of the board 2 Dacca University members of the board 1 scheduled caste member of the board The president of the board would be the chairman of the council [39] It may be noted that in the council excluding the president there would be 6 Hindus 5 Moslems 1 European and the other one uncertain but likely to be a Hindu

It is apparent that Moslems were not to be in the majority either in the board or in the council even if the president be a Moslem There was however provision for communal representation Considering the political situation of the time and the Moslem perception about educational management in general and Calcutta University in particular such a measure perhaps was unavoidable In fact W C Wordsworth supported the motion on this ground though he did not like communal representation He said I would seriously with all the seriousness I can command ask the House to consider whether the opposition to communalism may not sometimes take a form as dangerous and unpleasant as communalism itself The opposition, however was not in a mental state to listen to his advice [40]

Fazlul Huq maintained Is this justice? It may be but it is not to the Hindu community We might on a population distribution basis have demanded more seats for the Muslims but we have tried to be fair and have given weightage to the Hindus because of their past achievements in educational spheres As far as the provisions for Hindu Muslim and European interests are concerned therefore there can I think be no justified criticism of our proposals Criticisms can come only from those who are determined at all costs to retain the controlling influence in the hands of one community only [41] He announced three fundamental principles is the basis of this bill and on which the government was not prepared to yield They were (i) the presence on the board of adequate representation of the various communities must be guaranteed (ii) the board must be largely autonomous and have complete control of all secondary school activities and (iii) such ultimate control over the board's activities as is necessary must be exercised by government [42] At the same time he assured assuming the acceptance of these principles we are prepared to listen to criticism of the details and other aspects of the bill and to ensure that before the select committee starts its deliberations an opportunity will be given to the universities to make such recommendations about the bill as they think fit [43]

What appears from the debate that ensued is that the government control over the secondary education and the communal representation as was proposed in the bill were the two main objections which prevented the leaders of different opposition groups to participate in the select committee and prompted them to fight it as bitterly inside as outside the legislature It is quite apparent that the other points they raised in course of their deliberations could easily be taken care of in the select committee itself In fact Fazlul Huq and the other leaders were meeting outside the legislature to come to an agreement An examination of the debates however will help us to understand better the different viewpoints and perceptions of the problem

On behalf of Congress Party Harendra Nath Rai Choudhury moved by way of amendment that the bill be circulated for the purpose of eliciting public opinion He argued that the secondary education system in Bengal was mainly a creation of private efforts and the bill was designed to establish official control over a non official system He stated as their main grievance Our complaint is not so much that on the board or on the executive council they are going to have so many Muslim members or so many Hindu members as that these are going to be definitely political bodies and the whole of the non government part of the secondary education in the province is going to be committed to the charge of a political body and not to the care of the educationists

of the province. That is our main grievance"[44]. This was the typical stance taken by most other opposition leaders as if education was never a political issue nor it should be. However may it be denied by the nationalists. Moslems in general, believed Calcutta University to be a political body of the Hindus. And there was some truth in it. Nationalists also had some justification in taking such a stand. Since the time of Curzon British government became suspicious of the private management of the secondary schools in Bengal. They considered the private schools to be the breeding ground of terrorist politics and tried to control the spread of such schools.[45] Congress in Bengal as they were not in power like in other provinces of Hindu majority refused to take note of the change that was effected by the installation of a representative government, however limited might be its power. Besides, in the core of their mind as the nationalists were predominantly Hindus in Bengal they felt somewhat threatened because of the communal award. But a long tradition of ostrichism did not allow them to see through the reality of the situation. It was no wonder that Choudhury proudly claimed himself a Congressite and as such non communal yet could not help giving out his Hindu bias to a provocation from the coalition bench. He retorted claiming boistfully. It is the caste Hindus who have built up by their life blood all these schools and you dare enquire what about the caste Hindus!.[46] At that Fazlur Rahman of Dacca remarked. At the cost of poor peasants of Bengal! Choudhury replied. Where do the poor peasants of Bengal come in? The schools are being run by the fees of the students and by voluntary contribution from private sources and not from any of the poor peasants of Bengal that do not receive their education in them.[47] Rahman commented. Your income is derived from poor peasants.[48] It should be noted that poor peasants in Bengal were overwhelmingly Moslems and scheduled castes. And Harendra Nath Choudhury was the famous zamindar of Taki in the district of 24 Parganas.

Harendra Nath Choudhury's views deserve special notice not only because his was probably the soberest speech made on the occasion but he acted as the main spokesman of the Congress Party and became the minister of education after partition of Bengal when Bidhan Chandra Roy took over as the chief minister. His book *The New Menace to High School Education in Bengal* written in 1935 may be considered to be the nationalist's response to the government's educational policy of the time. In this book he advocated in favour of private management of secondary education and cautioned against government policy of control on the plea of unplanned growth of secondary education in Bengal. His speech in the Assembly reflected the same trend of argument with the addition of an implicit communal undertone. His opposition to government control and his charge against the proposed board of Secondary Education as a political body on grounds of the predominance of official and nominated members becomes suspect when compared with his own performance as the minister of education after partition of Bengal. It was during his tenure as the minister of education the West Bengal Board of Secondary Education was first constituted. And it was constituted with so many officials and nominated members that the students of West Bengal steered a movement against the board demanding a democratically elected body.[49]

If Harendra Nath Choudhury's speech was implicitly communal, speeches by other opposition leaders including Atul Chandra Sen, Pramatha Nath Banerjee, Syamaprasad Mookherjee, Kiran Sankar Roy, Nalini Ranjan Sarkir and even Sarat Chandra Bose were explicitly communal. The main purport of these speeches was to let it be known to the government that Hindus would resist the bill at any cost. It was clear from the speeches that official control was taken to be Moslem control over a system of education which was a contribution of Hindus. Often they argued against bringing in communalism in the arena of education without even mincing words bearing definite communal import and thus betraying their own communal feelings. They were tripped in their own communal emotion and their speeches only helped rousing the communal tension further.

Atul Chandra Sen's speech is a case in point. Characterising the bill as communal he said, under the proposed constitution we will have government's own men, Pakistan minded Muslims on the board. He announced, if and when this obnoxious bill comes to be made into law, we shall know how to combat it, as we did combat an executive fiat 35 years ago coming from a man much bigger than the hon'ble education minister. If we could then unsettle a settled fact, we know that we can do it even today.[50] H S Suhrawardy retorted. Not today. Sen asserted. Yes even today. Sir I say that we can unsettle a settled fact even today. Even it was alleged by a member that, the real object of the bill is to make all the secondary schools the training ground in ideas and theories which the communally minded ministry wants the youth of the country to hold.[51]

Kiran Sankar Roy alleged that the bill would introduce communalism into education and said. Out of the 1,400 schools 1,200 were established by Hindus, out of more than 3 lakh students reading in those schools less than 80,000 are Mahammadans. He equivocated that 'he did not take pride for that but if pushed, then he should though as a congressman he is not communal in outlook.[52] One can easily discern the communal overtone of his speech. Nalini Ranjan Sarkir also did not mince his words and called the bill 'communal and not democratic' as it is communal.[53]

Syamaprasad Mookerjee was rather outspoken and showed no inhibition in holding brief for Calcutta University and the Hindu community. He maintained that the present government introduced several controversial legislative measures but, there has not been any measure so vital as this to the largest interests of the people of this province.[53] He alleged that, the bill has introduced the communal principle in a most pernicious manner touching elaborately even the constitution of bodies which will select publications and text books and frame the syllabus and curriculum. He further alleged that, mutilation of the Bengali language, distortion of historical facts and flagrant disregard of academic standpoints are the characteristic features of the work of the (government reconstituted) text book committee.[54] He reminded the government. How can I forget that in this province today out of 1,500 high schools barring a few all owe their existence to Hindu support and influence.[55] He frankly declared that he opposed the bill fundamentally and would not accept even if it was passed by the assembly. As he was opposed to the bill fundamentally he did not join the select committee. He offered three options, namely (i) to make a bill on purely educational considerations, (ii) to allow Hindus to go their own way with their separate education system or (iii) to force this bill and face the Hindu opposition.[56] He threatened. They admit of no compromise and we are ready for fighting this new menace. Its acceptance specially means to us the end of the Hindus and a cry must go forth to every Hindu child that is reading in educational institutions to every Hindu guardian and to all others interested in the welfare of our people that if any self respect is left in them that if they are not to reduce themselves to a state of subservience in the field of culture as they have been reduced in the economic and political spheres they must be prepared to face this organised campaign of opposition at any cost whatsoever. At this point his speech was loudly cheered from the Congress bench particularly when he declared. But let me say this that minority though we are it yet retains sufficient patriotism courage and influence to stand boldly for the vindication of its just rights and it will consider it a cause nobler and greater than the preservation of culture and education for which it would be prepared to face the most dire consequences to sacrifice life and all before accepting, as inevitable something that detests as unclean and unworthy.

In rhetoric and oratory no other political leader of the time except Fazlul Huq probably could match Syamaprasad. And one can imagine the impact of his speech on the Hindu mind. In fact he made such speeches even harsher speeches in so many public meetings organised in different parts of the country. His speech in a meeting of teachers organised by Calcutta district committee of All Bengal Teachers Association was even referred by coalition members as an example of inciting communal temper during the

assembly debate on the Select Committee Report in 1941 Before, discussing the response of the Hindu public let us also examine some of the speeches made by Moslem members of the legislature

Abu Hussain Sarkar from Krishak Praja Party who was known to be a nationalist gave qualified support to the motion for sending the bill to a select committee He countered the argument of nationalist Hindus regarding government control saying that the university was not a free institution and government had full control over it He maintained that out of 110 members of the university excluding the Chancellor and vice chancellor only 20 were elected while 40 were ex officio and remaining 50 were appointed by the chancellor He also alleged that the university compelled students to salute the union flag and sing God save the King He asked Did they teach us anything save and except England's Work in India to insist love for imperialism Tale story of Black Hole Tarasundari and other things stories of Rajput chivalry concocted by the British writer ? Is this nationalism? He reminded that C R Das rightly called the university *Golamkhana* He further alleged that the university did not do anything to improve the lot of the school teachers who received Rs 20 to Rs 30 a month [58] There is some truth in the allegation no doubt However it is apparent that the secondary bill became an issue of confrontation between Calcutta University and government of Bengal believed to be representing Hindu and Moslem causes respectively

Syed Musta Gawsal Haque maintained that communalism had been used as a bogey by the opposition to subvert all the good legislative efforts of the government He referred to the Bengal Tenancy legislation Bengal Agricultural Debtor Act the Money lenders Bill and Calcutta Municipal Amendment Act and said that all these had been opposed on grounds of communalism but gave radical results He observed that secondary education had been suffering from haphazard and inefficient management because of dual control of government and the university He alleged that the university was allowed to make a good business out of the examination fees and sale of the text books but it did not spend a single piece for the improvement of secondary schools [59]

Syed Badrudduza appealed not to be swayed by emotion He opined that some government control was necessary and maintained that the constitution of the board as proposed in the bill was not communal but only provided safeguards for educational interests of different communities This was of course unlike in Calcutta University where voice was hushed by brute majority According to him, the board is more representative than the syndicate of the University of Calcutta as it does have adequate representation of Muslims Hindus Scheduled Castes and Europeans and various other interests He believed that "The Muslims will only have an effective voice in the control regulation and administration of secondary education in Bengal and that the board was called communal because a government supported by a Muslim majority contemplates its formation [60]

He declared that he was as proud of the great sons of Bengal like Ashutosh Mukherjee Keshab Sen and Rammohan Roy who played a most decisive role in shaping the educational destinies of the province and laying the structure on a solid foundation He continued But while our Hindu brethren have thrived and prospered Muslims have languished and pined away in misery Neither the university nor the government of the day encouraged and fostered the growth and revival of the glorious heritage of Islam that constitutes a distinct landmark in the history of world civilisation and culture He alleged that Muslim boys have been compelled to feed on ideals and ideas hostile to the spirit and genius of Islam and drift into the morass of complexes that never constitute the part and parcel of their cultural existence He maintained that control of secondary education therefore was absolutely necessary not for or by one community alone but for all classes and conditions of people that inhabit this land He concluded his speech refusing to accept the challenge thrown by Syamaprasad Mookerjee in a public meeting as that would be most unfortunate for Bengal [61]

However unlike Badrudduza Abdul Latif Biswas would accept the challenge for the good of the province [62] Abdul Wahab Khan posed that they were accused of communalism but it would be evident from the speeches made by the opposition leaders who were really communal He particularly referred to the speeches by Syamaprasad and Sarat Chandra Bose [63] Sarat Bose it is said threatened to build one national secondary board parallel to government's board Syamaprasad also threatened to build a separate system for Hindus

Abdur Rashid Mahmood observed It is very interesting to observe that my Hindu brethren though thinking all the time on communal lines express in national terms although they –the Muslims--by their vast majority form the nation of Bengal He supported the bill and wanted more substantial education to prepare the masses of Bengal for the national responsibilities—the responsibilities of a free nation [64] Jalaluddin Ahmed considered that nationalism is only another kind of communalism in the name of nation and 'is worse than communalism' [65]

Abul Hasim as an example of Hindu bias and Hindu nationalism quoted from Abanindranath Tagore's *Rajkahani* an approved text book taught in Hare School

> *Sei abosare Sultaner jato amir omra lungi chere dari fele bibi ar murgir khacha nye rataruti sahar chere Ajmirer dike champat dilo Sakal bela Prithwiraj Toda dakhal kare nilen*[66] [In the nick of time, all the 'amirs' and 'omrahs' shed their 'lungies', shaved their beards and carrying their 'bibis' and cages of hens turntail during the night and fled the town for Ajmer the next morning, for Prithviraj occupation of Toda was just a walk over!]

The passage is written in a very lucid style and it may appear funny to a Hindu child It may not however appear as funny to a Moslem child Rather he may seriously feel hurt as the passage could barely conceal an attitude of contempt for Moslem ethos (One may note the use of Bengali verbs *champat dilo* used for amirs while *dakhal kare nilen* in case of Prithviraj) It was no wonder that most of the Moslem speakers expressed their resentment against the approved text books and Hindu domination over text book selection committee This was perhaps the moot cause which led them to demand an effective voice in the educational management of the province

Fazlur Rahaman representative of Dacca University though not equal to Syamaprasad in oratory was as scathing in his remarks He would not mince his words in attacking Calcutta University and Hindu domination over the system of education He argued no nation can be great unless it learns to respect its own culture and traditions The University of Calcutta is responsible for presenting the past history of India to the school boy in a manner that it carries an impression that anything that is Hindu is good and anything that is Muslim is bad The result is that every Muslim boy who receives the training at an institution under the control of the Calcutta University grows with the idea that he belongs to an inferior stock and thus develops an inferiority complex He loses self confidence and becomes timid in his attitudes towards life As a result the Hindu boys cannot take kindly to the Muslim boys and begin to develop a feeling of hatred towards them This explains much of the bitterness between the two great communities of the province [67] He argued further an examination of the educational policy of the university will convince one that in formulating its educational policy it has proceeded on the basis that the people of Bengal are homogeneous and Hindu in character It has completely ignored the distinct cultural and educational needs of the Muslims He even alleged that the policy was so successful that even distinguished publicmen of the Hindu community cannot appreciate the distinctive character and excellence of Muslim culture and Muslim sentiments as they were the product of the education provided by the university [68]

VI

Let us now pause for a while and see where do we stand after tracing the line of debate in the assembly so far It is clear that the House was vertically split into two contending communal groups cutting across political affiliations of the members on the

issue of the Bengal Secondary Education Bill, 1940

The Hindu members of the House opposed the bill on two basic grounds These were (i) government control, and (ii) communal representation They claimed to have been championing the cause of secular and national education According to them government control and communal representation were detrimental to the cause of secular and national education and as such no compromise on these two fundamental points was possible

On the other hand Moslem members considered both government control and communal representation necessary for safeguarding the educational interests of the Moslem community and refused to yield on these two counts

It is interesting to note that the Hindu members condemned communalism in education from the postulate that the arena of education was sacrosanct and secular and national education was ideal But they did not find it inconsistent to boast about the Hindu contribution and even to build a separate system for non Moslems Moslem members on the other hand defended the communal representation on two basic assumptions that the cultural roots of the two communities were different and the existing system of education was biased in favour of one community To free the system from the clutch of one community they considered to be the pre condition for building a general system which would take care of the educational interests of different communities The general thrust of their arguments was to prove the Hindu bias and dominance over different spheres of education like text books curriculum syllabus and management Their demand was for a fair share in all these spheres of education It is apparent that Hindu members attacked communalism to defend Hindu interests which they felt was threatened by the bill while Moslem members attacked Hindu vested interests in the present system of education to safeguard their own educational interests which they thought was neglected so long

To come back to our story the motion by Harendra Nath Choudhury for eliciting public opinion was then put to vote and was lost with 71 votes in favour and 131 against An analysis of the voting on this motion shows that all the Hindu members excepting the Hindu ministers voted for it while all the Moslem members excepting the three independent members, voted against it Fazlul Huq's motion to refer the bill to a select committee thereafter was adopted by the House by 121 votes in favour and 60 against

VII

On September 2, 1941, the report of the select committee was placed before the House by Fazlul Huq Harendra Nath Choudhury proposed eight amendments and moved a motion to recommit the bill to the same select committee to make amendments as proposed In a fervent speech he said that since the bill had summarily been referred to the select committee "Bengal has known no peace For about a year educated public opinion in Bengal continues to be exercised more by this measure than either by war abroad or even by riots within the province The communal fascism in the educational sphere that the bill promises to introduce can only find a non communal parallel in any of the totalitarian countries with which the government of India may either be at war or allied [6]

In fact Hindu members including the Congress and Hindu nationalists found the Select Committee Report more communal and as such more reactionary The debate on the report was more tense and hence revealing Syamaprasad Mookerjee the leader of the Hindu Mahasabha supported the recommittal motion of the Congress leader Harendra Choudhury and upheld the cause of secular education He said in Bengal political and official domination is closely linked up with communal squabbles which if unchecked will sound the death knell of true education We want our secondary education to develop purely on secular lines " While Syamaprasad advocated for secular education Sarat Chandra Bose the leader of Congress opposition appealed to all to approach the bill from a nationalist standpoint He said This bill mortgages the future It stretches the crispins hands of reaction and sectionalism towards posterity [7]

It was Atul Chandra Sen another congress leader who defined the secular and national education as perceived by the Hindus of Bengal He said, "It is openly hinted that the Hindu mind is at present dominating education and educational ideas in the land Yes, this is true and for historical reasons When the English culture invaded this land the Hindu mind with its innate catholicity and receptiveness drank deep of this culture while our Muslim brethren stood sullenly away being enriched by the new ideas the Hindu mind began to build up a new culture—not a Hindu culture in the narrow sense but an Indian culture, in which all communities and individuals, Hindus and Musalmans Rabindranath and Iqbal alike must contribute if they love themselves, their community and the land they inhabit and want to earn for it an honoured place in the community of nations " He further said, "we regard cultural differences as mere mental angularities which without losing the mental substance may be rounded off by closer and closer political and cultural contact—by creating a composite culture of all communities inhabiting the land " [72]

This discourse may remind one of the Hindu Mahasabha thesis of *Hindutwa* as a non-religious cultural concept of Indian origin Hindu Mahasabha thesis by implication excluded Moslems as non-Indian while this nationalist theory of composite culture or cultural synthesis admit of even the Moslems into an Hinduised Indian culture. In fact, Moslems in general, never did like this theory of cultural synthesis as they considered this to be a process of Hinduisation of Moslems in India Abul Monsur Ahmed, a prominent political person of the time, observed in this regard thus "the reason why there was no Hindu Musalman unity was Hindus wanted Musalmans to merge into Hindu society as Aryans non Aryans, Saks and Huns did Musalmans ought to become Hinduised Musalman To be Indian Musalman would not do Not only Congress and Hindu Sabha but even Rabindranath Tagore opined thus "[73] Deliberations of Moslem members in the assembly indicate that this was the general impression of Moslems about the theory of cultural synthesis The responses of Rabindranath Tagore Profulla Chandra Roy and other Hindu public men to the proposed bill only strengthened their impression further

We would better complete our story in the assembly before going out to survey the public responses outside On September 4, 1941 the opposition amendment for the recommittal of the bill to the same select committee was rejected by the House by 124 to 56 votes Opposition thereafter took a dilatory tactics and moved a number of amendments on different clauses of the bill Division was sought on every motion of amendments Some of the clauses were passed during the month of September Meanwhile a ministerial crisis cropped up and on December 16 a new ministry headed by A K Fazlul Huq including Syamaprasad Mookerjee as finance minister took over the charge As a result the bill along the clauses already passed was allowed to lapse

In the 13th session of the assembly in April 1942, a new secondary education bill was introduced by the new progressive coalition ministry as it was called Abul Kasim, the education minister, proposed to refer the bill to a select committee with instruction to submit its report by July 31 1942 The bill had the same fate The select committee virtually could not function as various technical objections were raised by some members Time for submitting the report had to be extended for as many as five times and on the last occasion till March 31, 1943 But in that very month Fazlul Huq was forced to resign by the governor Syamaprasad however had resigned from the ministry in November 1942 The bill was thus dropped automatically On May 10, 1944 Temizuddin Khan, education minister of the Moslem League ministry moved the Bengal Secondary Education Bill, 1944 But before the bill could get through the assembly, Bengal was partitioned into two countries Hindu members kept their word and unsettled the settled fact of communal representation in educational management but at the cost of partition of Bengal

Syamaprasad Mookerjee, the most vocal

and forceful opponent of communal representation in the field of education supported the partition of Bengal while Fazlul Huq who advocated for communal representation and introduced the bill in the assembly made an all out effort in favour of an united Bengal But that is another story

VIII

Let us now turn towards the picture outside the assembly There is no doubt that the Secondary Education Bill stirred the Hindu public opinion in an unprecedented manner This stiffened the Moslem attitude further The bill was gazetted on August 1 1940 On the very next day Syamaprasad Mookerjee on behalf of the Bengal Hindu Mahasabha issued a statement saying Hindus of Bengal must observe in a befitting manner Sunday August 4 which has been declared as An All Bengal Protest Day [83] In a letter to the branch secretaries of the Sabha he wrote The Hindu Mahasabha has no right to exist if it cannot boldly fight against the deliberate acts of injustice which have been committed or about to be committed by the ministry On August 3 1940 *Amrita Bazar Patrika* called the bill A Ignominous Education Policy and wrote Thus the Hindus on whose sacrifice the university has been built are given sick The board is to be officialised largely Moslemised partly with the Hindus as of no consequence whatever [84] On August 4 a protest meeting was organised at Sradhanandra Park Calcutta According to *Amrita Bazar Patrika* a crowd of thirty thousand at the modest computation gathered Saffron robed sanyasins with red tridents lent an unusual feature Syamaprasad hinted at launching mass civil resistance if their demands were not fulfilled

As days passed the protest movement by Hindus got momentum and grew more and more powerful and voluminous There surfaced an instinctive Hindu solidarity old rivalries were forgotten party polemics were dropped Bose Tekue pact was condemned Hindu Mahasabha grew as a very powerful organisation and its popularity almost touched the sky Syamaprasad became the hero Hindu Mahasabha Congress and most other organisations dominated by Hindus got united on one platform over this issue

On August 6 a public meeting of the representatives of the members of the managing committees and teachers of schools in Calcutta and suburbs was held in the Albert Hall under the presidentship of Harendra Coomer Mookerjee The meeting considered the bill anti national and reactionary as it would make education subservient to political and communal considerations The meeting protested against government control and communal representation It further pointed out that the bill ignored "the legitimate claims of the teachers of secondary schools in respect of their representation on the board and the executive council [85] It is surprising that in the assembly debate hardly any member raised this very important point It may also be noted that members of managing committees and teachers unitedly joined the protest movement although the main objective of the teachers movements till then was to fight the tyranny of the managing committees of the educational institutions In fact this bill threatened the interest of managing committees of aided and unaided recognised schools There was hardly anything in the bill for the teachers as a community to fear or to lose

On August 18 the annual conference of the Calcutta Teachers Association adopted a resolution condemning the bill Syamaprasad Mookerjee opening the conference threatened that if the bill was passed he would advise the Hindus to constitute a separate secondary education board for them [86]

All Bengal Teachers Association organised a special session on December 28 at the University Institute Hall It resolved The Bengal Secondary Education Bill is a dangerously disruptive measure and will retard the progress of education in Bengal and that as it is academically and nationally an unsound policy to introduce communalism in the sphere of education the bill should be immediately withdrawn [87] By now different district associations and more than 400 schools adopted such resolutions ABTA however recognised the fact that the violent storm of protest against the bill was raised by the educated non Muslim communities and appealed to the Moslem community in Bengal to rise to the height of the occasion by proclaiming that they shall be no party in consenting to the introduction of communalism in education [88] The Moslem response was that not the bill but the protest movement was communal [89] ABTA like all other Hindus failed to take cognisance of the fact that the prevailing education system was considered by the Moslems as communal in substance and structure

On August 25 another meeting was held at Sradhanandra Park convened jointly by Syamaprasad Mookerjee Sarat Chandra Bose and Hem Chandra Naskar to protest against the bill Both Mookerjee and Bose reiterated that if the bill was passed in spite of their protest they would build their own council to organise and control their own system of education [90]

Syamaprasad Mookerjee toured through different districts of Bengal and addressed public meetings organised by local Hindus They gave him rousing receptions everywhere By December 1940 the movement reached its peak when a massive protest conference was organised by the Hindu leaders of Bengal A reception committee of 1 200 persons was formed including Syamaprasad Mookerjee Sarat Chandra Bose, Nirmal Chandra Naliniranjan Sarkar, Bidhan Chandra Roy Nilratan Sarkar Kiran Sankar Roy, Tulsi Goswami H C Mookerjee, and others The reception committee in an appeal said, "if government persists in carrying this bill through the legislature in its present form the Hindus and the communities other than Moslem in this province may feel compelled to demand that there should be a separate authority established for their education We should be prepared to take steps for constituting our own Board of Education [91]

The conference continued for three days from December 21 to December 23 at Hazra Park and was presided over by Acharya Prafulla Chandra Roy the most respected publicman of the time next only to Rabindranath Tagore Rabindranath Tagore sent a message to the conference According to *Amrita Bazar Patrika* 3 200 delegates representing the educational institutions and interests in all parts of the province participated in the conference Jadunath Sarkar S Radhakrishnan Meghnad Saha, Hirendranath Dutta and almost all other leading educationists politicians and intellectuals who were Hindus were present at the conference On the opening day 10 000 people attended it [92] Nationalist press gave it unusual publicity

Rabindranath Tagore in his message and Prafulla Chandra Roy in his presidential speech sounded a warning against the intrusion of communalism in the sacred shrine of learning They however equally failed to appreciate the Moslem point of view and their sentiments Tagore in his message wrote we are proud of our Bengali language which must be preserved from harm and nourished by the devotion of our people no sacrifice would be too great in the task of strengthening its foundations in the minds of our new generation at the educational institutions and outside the danger which menaces the cultural existence of my province has touched me profoundly and I cannot help sending these few words even from my sick bed [93]

In fact a bogey was raised by the nationalist press and Hindu intelligentsia that the present government was encouraging Moslemisation of Bengali language and culture *Amrita Bazar Patrika* on October 18 wrote an editorial with the title Moslemisation of Bengali language It said we have on several occasions had to discharge the painful duty of exposing the vagaries of the Bengal Text Book Committee of late there has been unfortunately displayed an increasing tendency on the part of certain Moslem writers to introduce in Bengali literature outlandish Arabic and persian words The Bengali language, it should be remembered, has been like so many other languages derived from Sanskrit Necessarily therefore, it is profoundly influenced by that mother of all languages not only as regard its vocabulary but its general character and style as well Our Mahomedan friends, who are for the most part Hindu converts to Islam, has no reason to take umbrage at this or to consider it as a slight to their religion and culture' [94] It was for this attitude of Hindus that Abul Monsur Ahm

ed alleged that Hindus wanted us to be Hinduised Moslems[88]

Prafulla Chandra Roy in his written speech said "Indeed I am fully convinced that of all the misdeeds and misadventures of the present ministry the Secondary Education Bill is the most mischievous from the nationalist stand point"[89] He further said "with exception of about 50 government schools and less than 150 schools maintained by the Christian missions secondary education in the province is provided in the institutions built up and maintained by the Hindus is it any wonder that the Hindus refuse to accept a measure which seeks not only to restrict the scope for their intellectual progress but to strike at the very root of their own culture"[90] by official control on communal basis He even expressed resent against such provisions of the bill as would deprive Calcutta University of its rights to recognise schools to admit candidates to the matriculation examinations and framing the syllabuses and prescribing the text books[91] It is evident that Roy would not take note of the Moslem resentment against Calcutta University as an institution with Hindu bias

The conference condemned the bill on many grounds and demanded its immediate withdrawal It condemned the bill as it makes the interest of education subservient to political and communal considerations, and completely ignored the academic and cultural point of view which is absolutely essential to the building up of a sound system of national education[92] It is evident that the conference ignored the Moslem point of view Moslems in fact contested the claim that the present system of education was apolitical non communal and secular According to them it had definite Hindu cultural bias and is such communal Besides they refused to accept nationalism as developed in India as a secular ideology To their mind it was Hindu nationalism and as such not acceptable In fact here lies the crux of the problem

It is also evident that now all the resolutions adopted in the conference were entirely free from communal bias It was stated in one resolution that "the bill is specially designed to cripple the educational interests of Hindus of Bengal who supply about 75 per cent of the pupils and even a larger percentage of the funds of the secondary schools in the province"[93] Another resolution reads, "The bill places the preparation and publication of text books in the hands of special committees which are of predominantly communal character The bill will seriously affect the integrity of the Bengali language and literature and will destroy the culture of the province the manifestations of which are already clearly visible in the existing text books approved by the education department now under communal influence"[94] Now Moslems for long, have been alleging the same against Hindus who were dominating the system of education in all is spheres

The conference even gave a call for raising funds and to take measures towards constituting a separate authority for the secondary education of Hindus and other non Moslem communities[95] This was no doubt a separatist slogan and no less communal than communal representation After the conference Fazlul Huq in a statement alleged that "I have not the slightest doubt that the agitation is based on intensely communal grounds and in a narrow spirit on non appreciation of the claims of all communities except a section of the caste Hindus"[96] He even said that he was prepared to amend or even withdraw the bill if it was opposed on purely educational grounds Prafulla Chandra Roy in a rejoinder denied the allegation that the bill was opposed on communal grounds and maintained that a look through the resolutions of the conference would show that the opposition was mainly on educational grounds[97] This was a peculiar situation

Moslems defended communal representation to restore a balance in the educational system which in its composition and content was heavily tilted towards the Hindu community In this however the Hindu leader saw the opening of the floodgate of communalism in the educational system the only remedy for which according to them lay in the constitution of a separate board

A resolution of these diametrically opposite stands was not easy to come by Bengali Moslems in their new quest for an identity found in the issue a rallying point just as the Hindu sentiment that was whipped up during the controversy cut across political parties and even secular associations like All Bengal Teachers Association As the battle line began to be drawn more rigidly the weakness of the ideology of Indian nationality came out more sharply with words like the Indian and Bengali becoming more suspect and a major bone of contention between the communities

Notes

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1 Abdul Kadir *Muslim Manas O Bangla Sahitya* Mukta Dhara Calcutta 1971 pp 81 96 9 Amalendu observed It was most unfortunate that nationalism and Hindu revivalism became synonymous He further observed the theory of separate Hindu Moslem nation took root as Hinduism and nationalism became synonymous

Sarkar Sumit *The Swadesi Movement in Bengal* Peoples Publishing House Delhi 1973 p 411 Sarkar also writes Patriotism intended to be identified with Indian revivalism Hindu and nationalism came to be used as almost synonymous term a good example would be National Nabagopal Mitra with his Hindu mela

Chatterjee Partha *Nationalist Thought And The Colonial World A Derivative Discourse* Oxford University Press Delhi 1986 p 72 77 He observe "Bankim's nationalism leads him to the claim that purified and regenerated Hindu ideal is far superior as a rational philosophy of life than anything that western religion or philosophy has to offer" He further observed It was this ideal, which produced in Bankim a barely concealed hostility towards Islam'

See also De Amalendu *Bengali Buddhijibi O Bichchhinnatabad* Ratna Prakasan, Calcutta 1974

2 Mannan Abdul Qazi *The Emergence and Development of Dobhasi Literature in Bengal* Bengal Academi Dacca 1974, As quoted in page 187

3 Ahmed Wakil *Unish Shatakey Bangali Musalmaner Chinta Chetanar Dhara,* Part II Bangla Academi Dhaka 1983, pp 143 152 Mannan Abdul Qazi op cit, see Chapter XI Muslim Society and Its Language Problems

4 This may appear to be a simplistic formulation of a very complex process I am aware that Islamisation of Bengali Moslems if I am allowed to use the term can be traced in the Faraizi and Wahabi movements the economic roots of these movements and their anti British character There is no doubt also that a separatist tendency is inherent in any revivalist or fundamentalist movement Yet it may be said that the revivalist movements of Moslems in Bengal during late 19th century and early 20th century took a distinct separatist character primarily a reaction to Hindu nationalism Shila Sen saw it as "self assertion of a conscious community in an attempt to define its social political and economic mores" Sen Shila *Muslim Politics in Bengal* Calcutta 1976 p 23

5 *Report of the Committee Appointed By the Bengal Government to Consider Questions Connected with Muhammadan Education* Calcutta 1915 p 11

6 Ibid p 16

7 Ibid Recommendation No 53 55

8 Ibid Recommendations No 53 58 60

9 Ibid p 19

10 Ibid p 19

11 Ibid p 25

12 Ibid p 25

13 *Report of Calcutta University Commission 1917 1919* Vol I Part I Calcutta 1919 p 1 5

14 Naik J P and Nurullah Syed *A Students' History of Education in India* Delhi 1974 As quoted in pages 324 325

15 *Report of the Dacca University Committee,* p 31

16 Islam Nurul *Samayikpatre Jiban O Janamat* Bangla Academy Dacca 1977, pp 24 25 *Report of the Kamal Yar Jung Education Committee* Calcutta pp 204 20

17 Ahmed Abul Mansur *Fifty Years of Politics As I Saw it* Nowroz Kitabistan Dacca 1975 p 155

18 Report of the Kamal Yar Jung Committee, op cit note by Azizul Huq pp 275 295

19 Ibid Chapter XI and pp 287 294 Mitra N N (ed) *The Indian Annual Register* Calcutta 1938 Vol II p 438 and 1939 Vol II, p 425 In successive sessions of All India Muslim Educational Conferences in 1938 and 1939 Wardha scheme was severely

criticised by different speakers including A K Fazlul Huq Resolutions were adopted rejecting the scheme

20 Report of the Kamal Yar Jung Committee op cit pp 290 291

21 Ibid p 291

22 Mitra N N (Ed) *op cit* 1941 Vol I p 276

23 Ibid p 280

24 Ibid 1939 Vol II p 316

25 Ibid 1938 Vol II p 339

26 Ibid 1939 Vol II p 320

27 Ibid 1939 Vol II p 320

28 Bandopadhya Brajendranath *Bhudev Mukhopadhya* Sahitya Sadhak Charitmala Bangya Sahitya Parisit Calcutta B S 1381 p 35 40 Bhudev was appointed inspector of schools Behar circle on Nov 15 1876 He wanted Hindi as the national language for India It was during his time that Nagri script was introduced in the Government offices replacing Persian script (?) Bhudev it is stated took initiative to introduce Hindi as the medium of instructions in the primary schools in Behar *Calcutta Review* 1880 Vol 71 pp 151 168 and 1881 Vol 72 73 pp 363 377 In volume 71 of *Calcutta Review* Grierson wrote the article mentioned in defence of Behari dialect as the medium of instruction and official language He considered Behari language different from Hindi In Vol 72 73 of *Calcutta Review* he again wrote an article Hindi and the Behari Dialects to show the difference between the two languages in support of his plea for the peoples tongue Obviously he was also like Bhudev not in favour of retaining *farsi* as the official language but unlike Bhudev he wanted to introduce one Behari dialect in its place

29 Jahen Sarwar *Bankim Upannase Muslim Prasanga O Charitra* (A study of the Muslim topics and character in the Novels of Bankim Chandra) Bangla Academi Dacca 1984 It is a good objective study of the subject

30 Islam Nurul op cit pp 352 357

31 Khan Layek Ali Bangla Sahitya Muslimer Anusangi *Bartika* January March 1988 Calcutta In this article the author has highlighted this point He writes that Moslem world is surprisingly absent in the modern Bengali literature

32 *Bengal Legislative Assembly Proceedings* 1940 Vol 57 No 4 7 August 21 1940 p 37 38

33 Calcutta University Commission op cit Vol IV Part II Recommendations of the Commission Chapter XXXI

34 *Report of the Committee on the Draft Secondary Education Bill Appointed by the Syndicate* December 1937 see Appendix Ap I A short account showing the different stages of the question of establishment of a Board for secondary education

35 Ibid pp 4 7

36 Ibid p 10

37 Ibid Appendix B letter No Misc 5162, dated January 4 1937 from the registrar to the secretary of the government of Bengal

38 Proceedings, op cit p 42

39 The Bengal Secondary Education Bill 1940 as published in *Calcutta Gazette* dated August 1 1940 This is what I find to be the composition of the Board from the Gazetted Bill But Pramatha Banerjee interpreted the composition differently in his speech in the Assembly

40 Proceedings op cit August 27 1940 pp 217 223

41 Ibid August 21 1940 p 46

42 Ibid p 56

43 Ibid p 56

44 Ibid p 69

45 Chaudhuri Harendra Nath *The New Menace to High School Education in Bengal* Calcutta 1935 p 126 127 Harendra Nath Chaudhuri wrote this book as a criticism of the government policy in regard to high school education a rejoinder and a study In this book he wrote The terrorist movement has been responsible for many a misfortune of this province, but the injury that it has done to the reputation of her high schools is not the least of the disservice it has done to her Its reprehensible attempt to extend the recruiting field into the sacred precincts of educational institutions meant for immature young people and boys of tender years is worthy of the severest condemnation indeed

46 Proceedings op cit p 67

47 Ibid

48 Ibid

49 West Bengal Secondary Education Act providing for the creation of a secondary board was passed in 1950 and the West Bengal Secondary Education Board actually came into existence in 1951 In 1963 this Act was replaced by the West Bengal Board of Secondary Education Act 1963 which became effective from January 1964 This Act provided for a Board which would be constituted mainly with ex officio or nominated members There was hardly any provision for elected member Government control over the present West Bengal Secondary Education Board is also absolute

50 Proceedings op cit August 22 p 83

51 Ibid August 27 p 195

52 Ibid p 214

53 Ibid August 28 p 251

54 Ibid p 266

55 Ibid p 268

56 Ibid p 276

57 Ibid pp 278 279

58 Ibid August 22 pp 84 85

59 Ibid p 92

60 Ibid pp 107 108

61 Ibid p 109

62 Ibid p 119

63 Ibid August 27 p 187

64 Ibid p 204

65 Ibid p 233

66 Ibid p 208

67 Ibid August 28 p 243

68 Ibid pp 243 244

69 Ibid, Sept 2 1941 p 55

70 Ibid Sept 4 1941 p 145

71 Ibid, p 151

72 Ibid, Sept 3 1941, pp 88 89

73 Ahmed Abdul Monsur, op cit, pp 160-161

74 *Amrita Bazar Patrika*, August 2, 1940

75 Ibid, August 4, 1940

76 Ibid, August 3 1940

77 Ibid, August 5 1940

78 *Teachers Journal*, Vol XIX 1940, pp 517 518

79 Ibid p 582

80 Ibid, Vol XX, January 1941 p 65

81 Ibid

82 Ahmed Abul Monsur, op cit p 214 Ahmed as the editor of the Bengali daily paper *Krishak* supported the Secondary Eduction Bill in the editorial column The managing director objected and asked how could he support a communal Bill Ahmed answered, Not the Bill but the protest was communal He however resigned the post

83 *Amrita Bazar Patrika* August 26 1940

84 Ibid September 27 1940

85 Ibid December 22 1940

86 Ibid December 22 1940

87 Ibid October 18 1940

88 Ahmed op cit pp 160 161

89 *Teachers Journal* Vol XX 1941 p 20

90 Ibid Vol XX 1941 p 20

91 Ibid p 24

92 Sinha Prabodh *Problems of Education in Bengal* Calcutta 1941 Appendix A

93 Ibid

94 Ibid

95 *Teachers Journal* January 1941 p 68 *Amrita Bazar Patrika* December 24 1940

96 *Statesman* December 25 1940

97 Ibid

BALLARPUR INDUSTRIES LIMITED

CORRIGENDUM TO PUBLIC NOTICE

DATED [illegible]

[illegible]

i) Proposed [illegible] capacity

[illegible]

These products are to be manufactured for captive consumption only

iii) Estimated annual turnover Rs [illegible] approx

For BALLARPUR INDUSTRIES LIMITED

(Virender [illegible])

Secretary

26 7 1989

Press [illegible]

BOP Problems of Developing Countries and International Division of Labour

Some Theoretical Comments

Prabhat Patnaik

This paper examines the proposition that apart from minor modifications such as those arising from the infant industry argument, a regime of universal free trade represents the optimal trade arrangement for each of the participants in international trade. Those who advocate trade liberalisation for underdeveloped countries necessarily subscribe to this proposition implicitly, though it is rarely if ever spelt out in theoretical terms.

THE argument advocating a liberal trade regime for the underdeveloped countries has made a strong reappearance in recent years. The reasons for this reappearance will not concern me here. The following comments are devoted entirely to an examination of the theoretical rationale underlying this argument and its validity.

There are at least three distinct levels at which the argument for trade liberalisation in the underdeveloped countries is presented. At one level it merely states that transformation through trade is a possibility which must be incorporated into any planning exercise in an underdeveloped country and that in restrictive trade regimes the potential benefits arising from the utilisation of this possibility are often ignored. In short a restrictive trade regime predisposes the economy towards an arbitrary truncation of the set of activities over which the optimisation exercise should be carried out.

At another level the argument proceeds by invoking an altogether different notion of inefficiency which I would call the inefficiency of indiscipline as opposed to allocational inefficiency or the inefficiency of production structure. Here the argument states that a restrictive trade regime by cordoning off the domestic producers against competition from abroad removes the shackles of discipline to which they should be subjected in order to achieve efficiency of resource use, in the sense of avoidance of waste, and economy in input application.

The argument at neither of these levels however taken on its own is particularly convincing. To say that underdeveloped countries should utilise trade possibilities is as bland and unexceptionable a statement as saying that they should 'act wisely'. In any case it does not in itself amount to a case for a change in the trade regime. The further link sought to be established between the nature of the trade regime and inoptimal choices is tenuous and cuts both ways. If a restrictive trade regime predisposes the economy towards certain kinds of inoptimal choices, a liberal trade regime could very well predispose it towards other kinds of inoptimal choices. Likewise unless it can be demonstrated that a liberal trade regime would not push the economy into other serious problems, such as recurring balance of payments deficits, to advocate such a regime is a disciplining device for the domestic producers is clearly *non sequitur*.

Central Propositions

Thus both these arguments if they are to have any substance must be supported by an argument at a third level namely that under liberal trade regimes developing countries can achieve higher rates of growth than under restrictive trade regimes together with balance of payment equilibrium. Such an argument can be made in its generality only if the following proposition is subscribed to: that apart from minor modifications e.g. those arising from the infant industries argument a regime of universal free trade represents the optimal trade arrangement for each of the participants. In my view those who advocate trade liberalisation for underdeveloped countries necessarily subscribe to this proposition implicitly, though it is rarely if ever spelt out in theoretical terms. I shall be concerned with examining this proposition in the rest of this paper.

The demonstration of the superiority of free trade over restrictive trade arrangements for each participating nation in international trade, by a galaxy of economists from Ricardo onwards, has been carried out, as is well known, in a static context. A large body of literature has developed which draws attention to its inadequacy in a dynamic context. Instead of reviewing this literature I shall confine myself here to developing a simple argument which captures some of the points made in it and also drawing attention to certain elementary problems which developing countries have to face in the context of an international division of labour.

Consider a world economy which is divided into two segments A and B engaging in trade with one another. If the relative prices at which commodities, all of which are assumed to be tradables, trade against one another are fixed, if A and B are specialising in the production of different sets of commodities, and if trade between them is to be balanced, then the total outputs in the two segments must be in the ratio $\frac{OA}{OB} = \frac{m_b}{m_a}$

where m_a represents the average import propensity of B for A's products and m_b represents the average import propensity of A for B's products. If these propensities which represent both input as well as final consumption requirements from 'abroad' remain unchanged over time, both segments can grow at an identical rate over time.

Suppose however A is a net exporter of primary commodities to B and technical progress in B takes the form of lowering over time the primary product requirement per unit of B's output, then other things remaining the same, the growth rate of A will be systematically less than the growth rate of B since m_a would be progressively shrinking in value over time. This point is well known but it is only a particular example of a more general point: if in trade between two segments the import propensity of one declines over time while that of the other does not, then the one with declining demand for its products would have to grow slower than the other if trade has to be balanced. To avoid such a fate A would either have to start economising on imports from B to an equivalent extent so that m_a falls in tandem with m_b, or push out other exports to B to make up for the slower growth of primary product exports, so that overall there is no decline in m_b, or adopt a combination of both sets of measures so that m_b/m_a remains unchanged over time.

Relative Prices

It can of course be argued that relative prices are not fixed and that with technical progress occurring relative prices are bound to change over time. To meet this argument let us assume a simple pricing rule. Taking A's product as the numeraire, suppose the wage rate in B in any particular period is given as W and that the price of B's product i.e. the terms of trade is determined by a mark up pricing rule

$$p_t = (m_b^1 + Wl)(1 + \pi) \qquad (1)$$

where m_b^1 is the *physical* amount of A's product required per unit of B's product, l is the labour requirement per unit of B's product and π is the profit margin, then again it can be shown that a decline in B's propensity to import A's product, whether as current input for production or for final consumption, will cause a slower growth of output in A than in B. This divergence in

the rates of growth will also extend to the net output of the two sectors each evaluated in terms of its own product

Thus doing away with the assumption of fixed prices and introducing a pricing rule whereby one segment acts as a price maker with mark up pricing and the other as a price taker makes no difference to the argument But it does bring out an additional point of importance if A finding itself in a position where maintaining a growth rate equal to B's involves it in a balance of payments deficit decides to devalue its currency that would not have the slightest impact upon the situation A devaluation by A would on the assumption of mark up pricing and fixed wage (recorded in A's product) not even change the relative prices of the two countries products in which case the devaluation would have had no impact whatsoever If on the other hand owing to devaluation W reckoned in A's product rises devaluation would succeed in improving the balance of payments while maintaining a growth rate comparable to B's but the adverse terms of trade movement owing to devaluation would mean that the standard of living in A would grow slower than its output If owing to continuous technical progress B's import propensity from A steadily diminishes then devaluation will have to be a continuous one and in such a case even if A and B maintained the same growth rates of output with a balance in their trade the growth rate of the standard of living in A would be smaller than this growth rate of its output In other words the conclusion about the divergence of output growth rates will no longer hold but will be replaced by a conclusion about the divergent growth rates of living standards

The divergence in the growth rates of living standards of the employed population between A and B which arises because of B's saving on the use of primary products exported by A is in addition to the divergence which arises because of the faster rate of growth of labour productivity in B than in A It has been argued by many notably Kaldor that the manufacturing sector is intrinsically amenable to a faster rate of growth of labour productivity than the primary producing sector If real wages in B the segment where the manufacturing sector predominates move up with productivity so that W in equation (1) remains unchanged then with given m_1^1 the terms of trade between A and B would have remained unchanged as well And this would already have ensured even with identical growth rates of output in A and B a faster growth of living standards of the employed population in B in comparison with A But if additionally the growth rates have a tendency to diverge but are kept equal only by A continuously depreciating its currency and moving the terms of trade against itself then this is a further reason for the growing divergence of living standards

TATA METALS AND STRIPS LIMITED

Form No 1A

[See Rule 4 A(1)]

Form of general notice to be given to the members of the public before giving a notice to the Central Government under sub section (1) of Section 21 of the Monopolies and Restrictive Trade Practices Act 1989

NOTICE

It is hereby notified for the information of the public that TATA METALS AND STRIPS LIMITED (earlier known as The Ahmedabad Advance Mills Ltd) proposes to give to the Central Government in the Department of Company Affairs New Delhi a notice under sub section (1) of Section 21 of the Monopolies and Restrictive Trade Practices Act 1969 for substantial expansion of their undertaking Brief particulars of the proposal are as under

1	Name and address of the owner of the undertaking	**Tata Metals And Strips Limited** Bombay House 24 Homi Mody street Fort Bombay 400 001
2	Capital structure of owner organisation	R Authorised capital 10 00 00 000 Issued subscribed & paid up capital 4 00 [illegible]
3	Location of the unit or division to be expanded	Hot Rolling Division Village Sondra Opposite GIDC Estate Near Navsari Taluka Navsari Dist Bulsar Gujarat State
4	In case the expansion relates to the production storage supply distribution marketing or control of goods indicate	
	i) Names of goods	Hot rolled [illegible] strips of all grades
	ii) Licensed capacity turnover before expansion	The present capacity turnover is restricted to captive use
	iii) Expansion proposed	80 000 tonnes per annum which is the available capacity
5	In case the expansion relates to any service state the extent of expansion in terms of usual measures such as value turnover income etc	N A
6	Cost of the project	No new investment is proposed
	Pattern of finance indicating the amounts to be raised from each source	No new investment is proposed

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this notice stating his views on the proposal and indicating the nature of his interest therein

For Tata Metals And Strips Limited

G S JAMBEKAR
Company Secretary

Dated th July 1989

Import Propensities

Let us however leave aside the question of labour productivity growth, and concentrate exclusively upon the divergence arising from a divergent movement of import propensities. Price adjustments such as a devaluation in such a situation are obviously not of much help in overcoming the basic cause of divergence which has to do with changes in technology and tastes. (In the case of divergent movements of labour productivity the change in import propensities would be caused by the changing demand pattern even with given tastes.) The appropriate strategy for A in this situation would be to adjust its production structure in such a way that it either lowers its own import propensity or pushes out newer goods to B to take the place of those goods from which B's demand is shifting away. The former, which is the import substitution strategy, is the one which of late has come under attack. Those who criticise it would presumably argue that A should continue to link its economy to B's but adjust the production structure in such a manner that newer avenues of exports keep getting opened up. For opening new export avenues, which necessarily means a familiarity with changing tastes in B as well as access to new technologies, A would have to induct B's firms, the MNCs, into its own production structure.

The argument for a liberal trade regime here becomes a very different one, namely, not that a liberal trade regime gives rise to an international division of labour which in itself is beneficial to all participants, but that a liberal trade regime creates the appropriate environment in which capital and technology flows can take place under the aegis of multinational corporations so that any frozen pattern of international division of labour keeps getting broken up and adjusts to new circumstances. Since it is this argument rather than the usual one pointing to the benefits of an international division of labour, which in some ways is its diametrical opposite, that is more prevalent nowadays, let us turn to it.

I shall not go into the plethora of arguments about the type of political regime in developing countries that succeeds in attracting export oriented MNCs, about the uncertainties which the domestic economy is subjected to by a strategy of this kind, about the extent to which such a strategy can succeed for developing countries *as a whole*, and about the impact of technological changes currently underway in the world economy on the future willingness of MNCs to locate production away from markets, all of which are well known and which underline the limitations of such a strategy. I shall confine myself to merely one point, which in addition to the above mentioned points seems to me to be of great practical importance for large economies like India and perhaps China.

Demand Patterns

Consumer tastes in underdeveloped countries are strongly influenced by those in the developed capitalist economies of the west. In countries like India, of course, this is a result of the colonial past which leaves an indelible imprint on the psyche of the bourgeoisie. Even in countries charting a different course of social development like China, this factor is not altogether absent. As a result, demand patterns tend to get handed down, with a lag, of course, from the west, and within the underdeveloped economy itself they have a tendency to filter down at least up to a certain layer in society. The ease with which such demand patterns are satisfied depends upon the availability of the particular goods. Thus, the production of new goods to suit western tastes under the aegis of MNCs in developing countries has the paradoxical effect, first of creating, even more rapidly than would have been the case otherwise, a taste for such goods within certain social groups in the developing country itself, and secondly, of actually meeting the requirements of such created tastes through the greater availability of the goods in question within the host country. In short, inviting foreign capital to produce for exports with the objective of raising m_1 in the above model has the paradoxical effect of raising m_2 as well, since a whole lot of components, inputs and equipment have to be imported for the production of the goods which goes, at least partly, into the home market of the host country.

Now, for a small country, the relevant segment of the home market is easily satisfied in any particular product line, so that within a short time the export augmenting effect of the new production begins to triumph over its import augmenting effect. For a large country, however, this is far from being the case. The sheer absolute size of the market provided for such a new commodity within the host country, even when this market is confined to a small stratum of the population, is so large that by the time the export augmenting effect can be expected to out weigh the import augmenting effect, the country would have built up a sizeable debt in the process of financing recurring trade deficits, and the commodity itself would have become obsolete as far as western tastes are concerned. For a large country, therefore, the attempt to promote export led growth by introducing liberal trade regimes and new products with the help of MNCs result only in aggravating the trade deficit, and the promised turnaround in the trade balance never actually materialises. Thus, liberal trade regimes have an effect contrary to what the proponents of such regimes visualise.

Cases of India and China

All this is no mere speculation. In India export processing zones set up with the explicit objective of boosting foreign exchange earnings, have hardly succeeded in earning much hard currency foreign exchange (a good deal of their exports go to the eastern bloc countries) but have ended up clamouring for permission to sell a part of their output within the domestic economy, a request that has been granted up to certain limit. They have become perhaps net losers of hard currency foreign exchange as a consequence. Even in China, the free trade zones have succeeded in pressurising the government to allow them access to the domestic market. China's burgeoning trade deficit since the days of liberalisation is partly a reflection of this phenomenon. It is not surprising that large countries, with the strong pull of the domestic markets, have not been particularly successful in establishing export oriented MNC units on their soils, while small countries have fared much better in this respect. A liberal trade regime in the former acts much more in the direction of raising their import propensities for foreign goods than of raising foreigners' import propensities for their goods.

This phenomenon becomes particularly worthy of attention today when both China and India are reportedly on the verge of approaching the IMF for large loans, and in suiting its conditionalities, as a means of financing their recurring trade deficits. India by now has perhaps already emerged as the third largest debtor among the developing countries, and is borrowing about $5 billion every year. To be sure, not all of it can be directly attributed to the reason mentioned above, but a good part of it can. And a big chunk of even the remainder perhaps arises because of the general atmosphere of import permissiveness which a liberal trade regime introduces. At any rate, it is time that we thought hard and carefully about the concrete consequences for particular economies of some of the panaceas which are being blandly suggested these days for the ills of the developing countries.

Just Published

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THE ASSOCIATED CEMENT COMPANIES LTD.

(Registered Office Cement House 121 Maharshi Karve Road Bombay 400 020)

NOTICE

Form IIA (See Rule 4A(I))

It is hereby notified for the information of the public that The Associated Cement Companies Limited (ACC) proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under sub section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the production of the new articles in the existing undertaking

Brief particulars of the proposal are as under

1 Name and address of the applicant — The Associated Cement Cos Ltd Cement House 121 Maharshi Karve Road Bombay 400 020

2 Capital structure of the applicant organization — ACC's capital structure is as indicated hereunder

	Rupees Lakhs
a) Authorised Share Capital 75 00 000 equity shares of Rs 100 each	7 500 00
b) Subscribed Share Capital 55 95 504 equity shares of Rs 100 each	5 595 50
c) Paid up Share Capital 55 95 504 equity shares of Rs 100 each	5 595 50

3 Management structure of the applicant organization indicating the names of the Directors including the Managing Whole time Directors and Manager if any — The ACC is managed by a Executive Vice-Chairman & Managing Director under the supervision direction and control of its Board of Directors The following are the Directors of ACC Ltd —

1 Mr N A Palkhiwala (Chairman)
Mr Pallonji S Mistry (Deputy Chairman)
3 Dr S Ganguly (Executive Vice Chairman & Managing Director)
4 Mr S K Vakil
5 Mr P K Mistry
6 Mr H T Parekh
Mr Harish Mahindra
8 Mr S C Subrahmanyam
9 Mr P J Jagus
10 Mr H C Sarin
11 Mr D S Seth
12 Mr N A Soonawala
13 Mr T M M Nambiar (Wholetime Director)
14 Mr R Bhattacharya (Wholetime Director)
15 Mr M M Rajoria (Wholetime Director)
16 Mr J K Sarkar
17 Mr V J B Andrews
18 Mr Vishwanath Patil Hebbal MLA
19 Mr Devendra Raj Mehta
20 Mr Sushil Kumar IAS
21 Mr Anil De IAS (Retd)

4 Indicate whether the proposal relates to the establishment of a new undertaking or a new unit division — The proposal relates to the manufacture of four new articles in the existing undertaking at Katni in Madhya Pradesh State

5 Location of the new undertaking unit division

Place	Katni
Tehsil	Murwara
Dist	Jabalpur
State	Madhya Pradesh

6 Capital structure of the proposed undertaking — The proposed undertaking is part of the applicant Company whose capital structure is given at (2) above

7 In case the proposal relates to the production storage supply distribution marketing or control of any goods articles indicate

(i) Name of the goods articles	(ii) Proposed licence capacity	(iii) Estimated annual turnover Rs Lakhs
Catalyst bed supports	1000 TPA	120
Alumina Binder	20000 TPA	1000
Demolishing chemical	1000 TPA	100
Refractory Special Intermediates	6000 TPA	480

8 In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc — Not applicable

9 Cost of the project — Rs 480 lakhs

10 Scheme of finance indicating the amount to be raised from each source — Amount will be raised partly from internal resources and partly from financial institutions

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

For THE ASSOCIATED CEMENT COMPANIES LTD

(Dr S Ganguly)
EXECUTIVE VICE CHAIRMAN AND
MANAGING DIRECTOR

Dated
25th July 1989

ROGER ACC 35 89A

Falling Rate of Profit in India's Industry?

Ranjit Sau

The Marxian law of falling tendency of the rate of profit has taken hold of several developed capitalist economies of the world, with the rising strength of labour that squeezes profitability. To test the law empirically, not only the value categories are to be translated in terms of prices, but one has also to extend the investigation from the level of national accounts to that of company accounts which this paper does. The large companies of India have not experienced any secular decline in the rate of profit, although they might have seen cyclical variations. The explanation for the steady trend lies in the falling share of wages and salary in value added, which also indicates the existence of objective ground for class conflict. The government takes away about one-half of the industrial output in the shape of interest, and direct and indirect taxes.

BY all accounts the rate of profit in major capitalist countries of the world is falling in recent years. Marx enunciated the famous law of the falling tendency of the rate of profit.[1] Competition among capitalists, so goes the argument, spurs technological change that raises the capital intensity of production and thus lowers the return on capital. This outcome is only a tendency; it may get neutralised by countervailing forces. For instance, technological change may also cheapen the basket of wage goods and thereby help keep up the profit rate on balance.

A theoretical challenge to this Marxian law came in the shape of the Okishio (1961) proposition: technical change which competitive capitalists would introduce always raises the rate of profit, should the real wage rate be constant. In due course this theorem has been further refined and extended (Bowles 1981, Roemer 1977, 1978, 1979). The crux of the matter lies in the provision that the real wage rate remains constant. It can be shown that relaxing this postulate and instead assuming a constant share of wages in value added, the Okishio theorem can be refuted (Flaschel 1980).

Meanwhile, another frontier was opened. Baran and Sweezy (1966, 80) came to the conclusion that the Marxian law of falling tendency of the profit rate relates to the age of competitive capitalism. In the current era of monopoly capitalism it is superseded by the law of rising surplus. They had, it seems, in front of them the rising curves of profitability of the post-war boom. Soon after their writing, a new chapter began in the major capitalist countries around the world. Almost everywhere, in Britain, Canada, France, Germany, Japan, the United States, the rate of profit showed a declining trend.

Some economists first dismissed it as a rather cheerful sign of abundance of capital accumulation – the marginal productivity of capital has gone down with the rise in capital stock, so they thought. But the rate of profit is a serious variable. It is a crucial determinant of capitalists' profit expectations. Production is organised and investment is undertaken by capitalists in order to make profits; a fall in the average rate of profit and consequently in the expected profitability of new investment—is bound sooner or later to discourage such investment and lead to a crisis. Unfortunately, much of economic theory, almost the entire volume of non-Marxian theory, is unaware of this simple truth of a capitalist economy. For example, in Keynes the rate of profit is conspicuous by absence.[2] In Walrasian general equilibrium it appears nowhere. In Solow-type neoclassical growth models it is at best a passive entity. Only in classical economics is the vital role of the profit rate duly recognised. Smith and Ricardo emphasise it as the prime determinant of investment, and so does Marx.

In the Marxian theory as it stands today there could be three sources for a fall in profit rate. We know the rate of profit $r = s/(k + 1)$ where s is the rate of surplus value and k is the organic composition of capital. If c denotes constant capital, v variable capital, and s surplus value, then $c = v$ and k.

Now r falls if:

(i) k rises, due to competition among capitalists. This is the argument originally given by Marx.[3]

(ii) s falls, because the workers extract higher wages, raising v.

(iii) s falls, because the full surplus value s is not realised in the market due to deficiency of demand.

These variables are all measured in terms of Marxian value. One can also express them in terms of prices, and establish an approximate correspondence with the data given in a country's national accounts. This has been attempted by several authors in order to explain the observed fall in profit rate.

Of the three cases listed above, the first one is known as the hypothesis of rising composition of capital. In the major capitalist countries the capital-output ratio is fairly constant over time. This hypothesis has not received much blame for the declining profit rate.

The second hypothesis is quite popular (Weeks 1979). It is, by the name of rising strength of labour or profit squeeze, It has been used to explain cyclical movement of profit rate in the United States (Boddy and Crotty 1975), and also the longer term trend in Britain (Glyn and Sutcliffe 1972), as well as in the United States (Crotty and Rapping 1976, Weisskopf 1979, Weisskopf, Bowles and Gordon 1985, Wolff 1986).

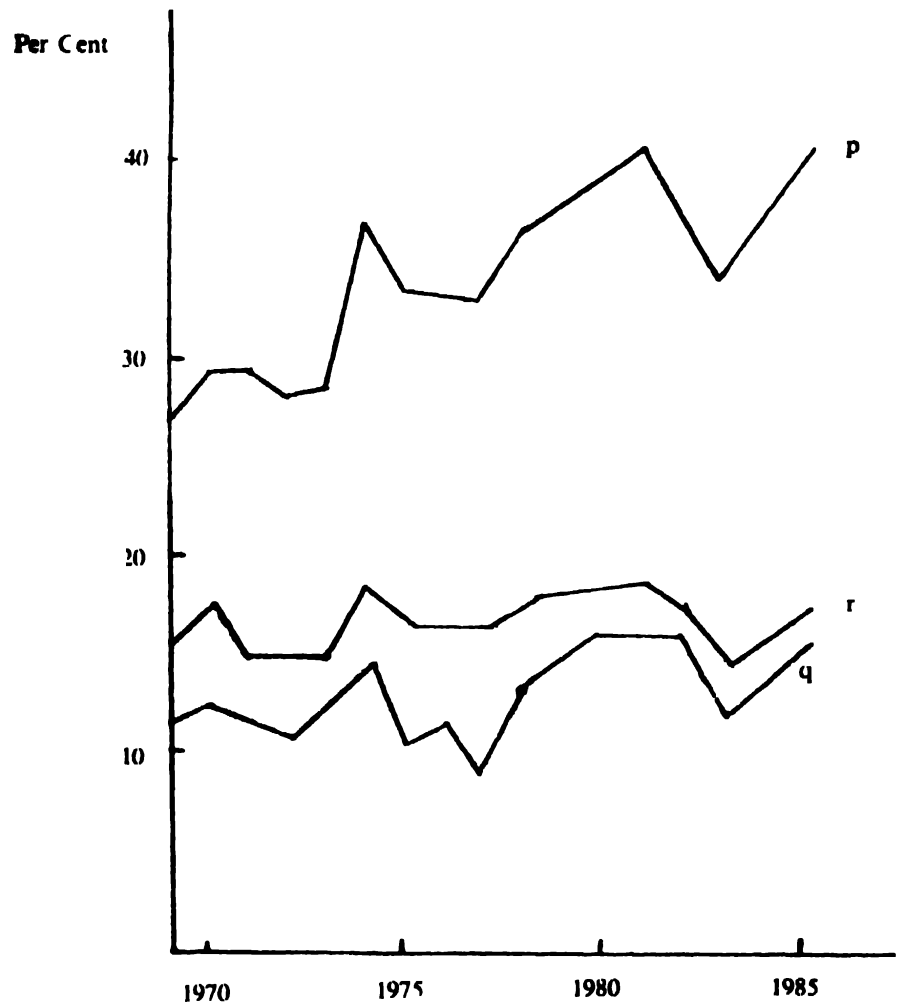
The third one is called realisation failure. In this event, the law of value itself has failed to hold due to either underconsumption or underinvestment, or sectoral disproportionality (Sweezy 1942, ch 10). It can provide the basis for theories of business cycle (Kalecki 1971, Sherman 1976), as well as for theories of long-term stagnation (Baran and Sweezy 1966, Steindl 1952).

India is essentially a capitalist economy, albeit underdeveloped. And it is not a minor one, at that. It has a relatively strong industrial bourgeoisie. Its labour force (some 23 million) in the organised sector is fairly comparable with that in Britain, France, Germany or Japan. The top decile of its population constitutes a powerful consuming classe' almost equivalent to that in western Europe. It is therefore not an idle question to ask: Is the profit rate falling in India's industry? This paper is intended to raise and answer this question.

There is one more point. The Marxian theory of profit is originally cast in value terms. For empirical testing it is translated into prices, and the variables are identified with the data as of national accounts. Some distortion occurs in the process, but the practice is defended on the ground that a relevant Marxian crisis theory must ultimately explain the behaviour of that profit rate which is actually perceived by (and thus affects the behaviour of) capitalists themselves (Weisskopf 1979, 343n). But there is a problem here. The task is correctly perceived, but incompletely accomplished. The profit rate, as actually computed by researchers, is a rate of return on capital which is essentially a macroeconomic concept. But a capitalist is more familiar with the language of the balance sheet and the profit and loss statement, rather than that of macroeconomics. Hence the investigation must be carried further, from national accounts to another level, namely, the level of company accounts. This paper does it, but at some unavoidable cost due to the lack of relevant data.[4]

The Industrial Credit and Investment Corporation of India (ICICI) publishes annual financial statistics of a sample of 417 public limited companies in its portfolio.[5] These are some of the largest companies in the country, most of them belonging to the

FIGURE 1 RATES OF PROFIT



private corporate sector The following analysis is based on the ICICI sample data

I

The rate of profit can be defined in so many ways depending upon the purpose at hand From a capitalist's point of view the rate of profit (after tax) on net worth is an important index The data in col 2 of the accompanying table do not show any strong trend either way if anything there is a mild upward tendency

The seventeen year period beginning 1969 witnessed the sprouting of the green revolution on the one hand and the onset of industrial deceleration on the other Halfway, the initial impetus of the green revolution was exhausted Subsequently food grains output picked up and the industrial growth rate improved Over this entire period the rate of after tax profit on networth fluctuated around a mildly upward trend (Figure 1)

Does this mean that the law of falling tendency of the rate of profit has not yet come into force in India? Of course the Marxian law is not directly concerned with the particular rate of profitability that we are considering at the moment In any case it would be interesting to decompose this measure of profitability

If q denotes the rate of after tax profit on net worth t the corporate tax rate p gross profits (before interest and tax but after depreciation) per unit of net worth i the rate of interest and d the debt equity ratio it can be shown that [9]

$$q = (1 - t)(p - i d) \qquad (1)$$

The relevant data for (1) are given in cols 3 6 We find that p i and d have perceptible upward trends while t first increased and then fell

We now move to a level that has greater microeconomic implication Define capital as net fixed assets and inventory that appear in the balance sheet of a company This is also the definition of capital in national accounts The rate of gross profit on capital denoted by r is given in col 7

There is a problem with the data here Although the size of the sample is fairly constant (543 companies in 1969 and 1970 421 in 1971, and 417 thereafter) the company wise composition is not invariant over time Hence a time series of real capital stock cannot be readily computed The r that appears in col 7 is therefore, not the real rate of return on capital, the effect of inflation is unavoidably mixed with it The last column gives the figures of the rate of inflation The problem is further compounded by the fact that in India the price of capital goods is known to have increased faster than the general price index

In Figure 1 the three variables p q and r are plotted Evidently p has a discernible upward trend r is rather steady and q is fluctuating The difference between r and q is largely accounted for by corporate tax

Now r can be decomposed as follows

$$r = f v \qquad (2)$$

where f is the share of gross profits in value added and v is the ratio between value added and capital Therefore col 8 multiplied with col 11 gives col 7 It is interesting to note that the share of gross profits in value added has a downward tendency (col 8) Gross profits let us recall include interest and tax also

Does India's industry suffer from the problem of deficiency of demand or the so called realisation crisis? Since the rate of profit however measured has not shown any marked downward trend one might say that for the large companies in the ICICI sample market has been no problem at all in the long run although cyclical variations are not altogether ruled out One way of formally incorporating the role of demand is to note that

$$r = P/K = (P/Y)(Y/Y^*)(Y^*/K) \qquad (3)$$

where p is gross profit k capital Y actual output or value added and Y* is the capacity output The ratio Y/Y* is an index of the rate of capacity utilisation We have data of capacity utilisation for only a brief period 1979 1985 which do not indicate any rise in the rate of excess capacity (col 12) Whether the current rate of capacity utilisation is satisfactory or not is of course a different matter [10]

II

Value added is defined here to consist of three parts namely, gross profits wages and salary and indirect business tax (excise) [11] Note that in national accounts indirect business taxes are included in NNP though not in what is called national income, or NNP at factor cost According to cols 8 10, the shares of the first two parts, that is gross profits and wages and salary, in value added have gone down while that of excise has risen

Now gross profits include direct tax also, in addition to interest and net profit So the government acquires part of the value added in two ways direct tax and indirect tax The total share of the government thus went up from 0 42 to almost 0 48, and then declined slightly (col 13) The overall average pattern

of the distribution of income (value added) during 1969-1985 was as follows

Tax (direct and indirect)	0.44
Wages and salary	0.35
Net profit and interest	0.21
	1.00

Thus, by far the largest of the three shares goes to the government. Since banks are nationalised, a portion of interests also may be said to find its way to the government. One might therefore conclude that about one half of the industrial income is extracted by the government one way or the other. If appropriation of surplus value is the definition of exploitation, then the government is apparently not a small exploiter. A theory of income distribution under such circumstances cannot ignore the role of the government. In this context, see also Bardhan (1984), where the government bureaucracy is identified as a member of the dominant coalition of propertied classes that rules over the political economy of India.

In Figure 2 we have plotted the shares of the three components of value added, namely (i) direct and indirect tax, (ii) wages and salary, and (iii) net profit and interest. The curve of direct and indirect tax, after an initial dip, has remained rather horizontal. The other two curves point to a potentially deep-rooted conflict in the economy: the curve of wages and salary is going down while that of net profit and interest is rising, as if to throw up a challenge. There is a widespread view that the overwhelming presence of the state as a third actor on the scene of India's political economy has blunted the edges of classical class struggle between labour and capital (Rudolph and Rudolph 1987: 20-25). The graphs of Figure 2 presumably have a different story. The rise of the share of net profit and interest at the cost of wages and salary indicates the existence of ground for a typical capitalist confrontation of classes.

As mentioned above, major capitalist economies around the world are in the midst of a deep crisis, the profit rate having fallen since the mid-sixties. Part of the explanation lies in the fact that the pressure of wages in those countries has mounted. Another factor has been at work on the demand side. After the Korean war boom tapered off in the early fifties there was apprehension that stagnation would set in. The situation was saved largely by an unprecedented rise in the demand for consumer durables. Eventually it led to mounting household debt that in due course choked off consumer expenditure. Forces thus acting on both demand and cost sides resulted in the crisis of capitalism in those countries.

How is it that India could escape such a denouement? The explanation seems to be rather obvious. In India's private industry the share of wages has gone down, allowing the profit rate to climb. On the demand side, particularly for the products of the companies of our sample, there was not much of problem. The market for durable consumer goods took shape and continued to grow, largely supported by the ever expanding wage and salary bill of government administration in particular.[1] The overall index of industrial production in the country decelerated during the seventies, no doubt, but that was due mainly to the maladies of capital goods industries which belong, in the main, to the public sector. Industries of durable consumer goods did not face any such trouble.

From this what can we say about the current policy of so-called liberalisation? First, the industrial bourgeoisie of India would welcome the government's evident shift toward consumerism, that is promotion of industries that produce for the affluent middle class consisting of the top decile of population. The household debt trap, that has caught the consumers in the west, has not been in sight in India as yet. Second, while the bourgeoisie would prefer certain relaxation of controls of export, import and foreign technology and capital inflows, it is

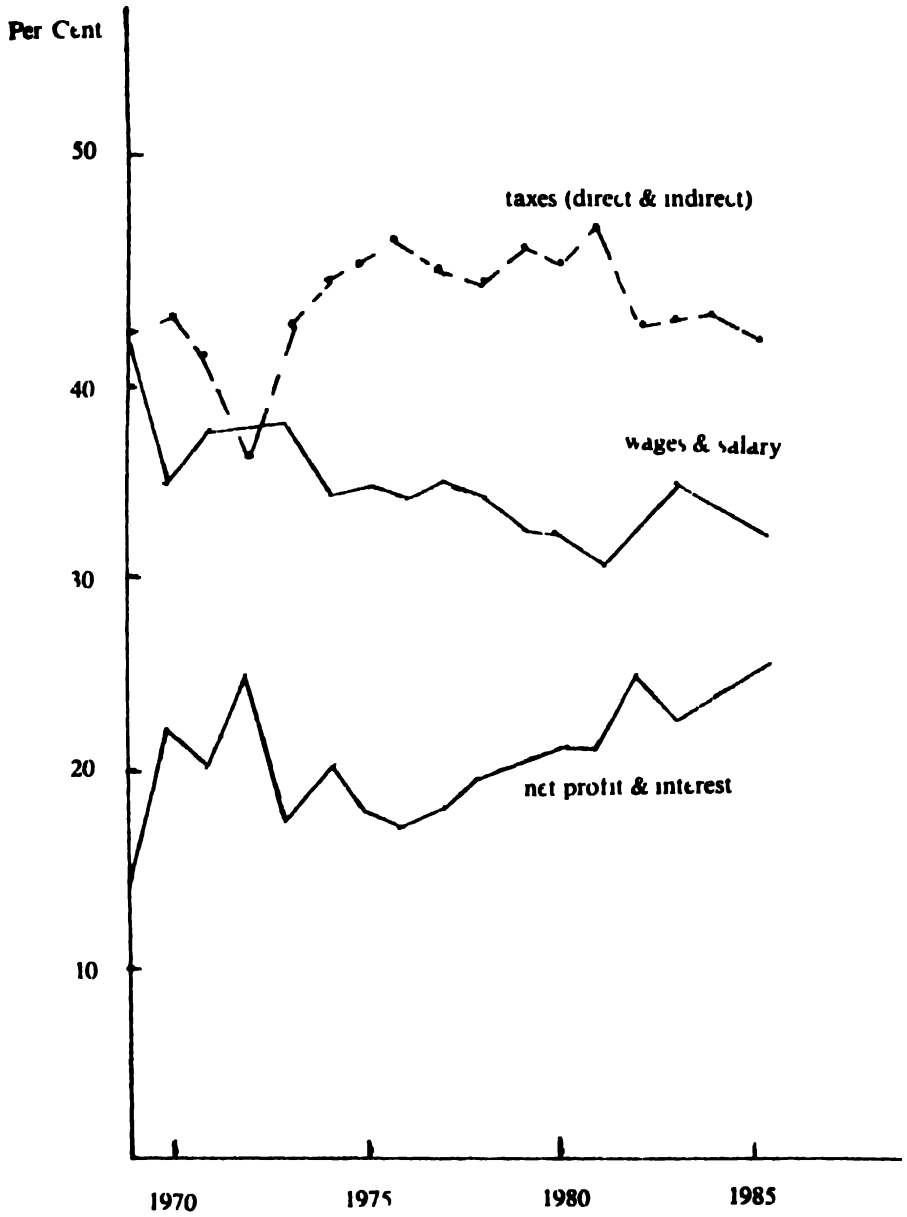
TABLE 1

Year	Rate of Profit after Tax on Net Worth q (Per Cent)	Rate of Gross Profit on Net Worth p (Per Cent)	Rate of Interest on Debt r (Per Cent)	Debt Equity Ratio d	Rate of Corporate Income Tax on Operating Profits t (Per Cent)	Rate of Gross Profit on Capital r (Per Cent)	Share of Gross Profit in Value Added f	Share of Excise in Value Added j	Share of Wages and Salary in Value Added h	Value Added Per Unit of Capital v	Rate of Capacity Utilisation u	Share of Excise and Corporate Income Tax in Value Added	Rate of Inflation Per Year (Per Cent)
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1969	11.45	27.3			37.68	15.22	0.299	0.345	0.425	0.509		0.421	3.75
1970	12.57	29.6			39.63	17.01	0.304	0.344	0.352	0.560		0.429	5.54
1971	11.37	29.5	8.78	1.04	44.19	14.75	0.295	0.327	0.378	0.500		0.417	5.60
1972	10.82	28.0	9.12	0.96	44.74	14.47	0.274	0.336	0.390	0.529		0.361	10.04
1973	11.99	28.6	8.97	0.92	45.48	14.79	0.273	0.334	0.393	0.535		0.430	20.22
1974	14.25	36.5	10.16	0.93	47.97	18.48	0.313	0.339	0.348	0.591		0.450	25.20
1975	10.23	33.3	11.39	0.98	52.40	16.89	0.276	0.367	0.357	0.611		0.463	1.10
1976	11.23	32.5	11.44	1.04	53.82	16.79	0.271	0.381	0.348	0.619		0.474	2.08
1977	8.90	33.1	12.01	1.13	54.50	16.12	0.268	0.377	0.355	0.601		0.465	5.21
1978	13.20	36.6	10.94	1.16	44.94	17.35	0.280	0.375	0.345	0.612	0.79	0.458	0.00
1979	14.70	37.5	10.75	1.10	42.63	17.79	0.287	0.386	0.327	0.620	0.82	0.470	17.12
1980	15.37	38.5	11.98	1.10	39.31	17.90	0.297	0.381	0.329	0.616	0.74	0.456	18.24
1981	15.51	40.3	12.25	1.24	38.20	17.66	0.280	0.409	0.311	0.630	0.82	0.476	8.28
1982	15.69	38.0	12.61	1.32	26.51	16.27	0.288	0.385	0.327	0.566	0.79	0.427	2.63
1983	11.85	34.3	12.24	1.42	30.12	14.59	0.265	0.390	0.345	0.511	0.82	0.429	9.46
1984	12.82	36.9	14.44	1.39	30.55	15.60	0.274	0.390	0.336	0.570	0.86	0.432	7.09
1985	15.34	40.0	12.27	1.54	27.23	16.63	0.292	0.383	0.325	0.570	0.85	0.425	5.73
Mean	12.78	34.2	11.16	1.16	41.17	16.37	0.280	0.368	0.352	0.576	0.81	0.440	8.52

Notes Col 1: Fiscal year 1969 for instance means 1969-70. Col 2: Net worth includes paid up capital and reserves and surplus. Profit after tax is net of interest. Col 3: Gross profit is before interest and corporate tax but after depreciation. Col 4: Debt include debentures, long term borrowings, bank borrowings for working capital and unsecured loans and deposits. Col 5: Equity is the same as net worth. Col 6: Operating profit is gross profit after interest. Col 7: Capital includes net fixed assets and inventory. Col 8: Value added consists of wages and salary, gross profit and excise. Col 9: During 1971-85 excise is found to be 12 per cent of gross sales. Figures for 1969 and 1970 have been estimated pro rata. Col 12: Weighted average of industry group wise data, weights relative to the value added as defined by ICICI which keeps excise out of it. Col 14: Yearly change in the index number of wholesale prices (average of weeks), as given in the government of India *Economic Survey* annual issues. The mean has been estimated with an exponential regression equation.

Source Basic data from ICICI, *Financial Performance of Companies* annual issue.

FIGURE 2 SHARES OF TAXES (DIRECT AND INDIRECT), WAGES AND SALARY AND NET PROFIT AND INTEREST IN VALUE ADDED



unlikely that they would enjoy much greater linking of the Indian economy with the ailing capitalism outside lest their domestic market be eroded

Notes

[This paper is part of a research project sponsored by the Centre for Management and Development Studies Indian Institute of Management Calcutta without assuming any responsibility for the findings]

1 The falling rate of profit is a distinct feature of classical economics To Adam Smith accumulation of capital by itself lowers the rate of profit as it raises the wage Ricardo considers the fall in profit to be a consequence of the law of diminishing returns in agriculture However it is Marx who deals with this issue at greater length hence the law is associated with his name

In view of the lately unfolding theory of chaos the possibility of persistently erratic movements of the economy rather than smooth convergence to a classical stationary state can no longer be ruled out a priori (Bhaduri and Harris 1987 Day 1982 1983 Hicks and Hollander 1977)

2 Okun and Perry (1970) discussed the fall in profit share in GNP after 1966 in the US It gave rise to a debate at the Brookings Institution Nordhaus (1974) argued that the cost of obtaining new capital since the war had notably decreased by the late 1960s capital was in abundance Thus the weakness in the profit rate in his opinion need not be seen as a problem For subsequent contributions see Dumenil Glick and Rangel 1987 Feldstein and Summers 1977 Lovell 1978

3 Keynes is concerned in the main with the short run where the stock of capital is given He does consider the volume of profit in the *Treatise* and the *General Theory* hence the rate of profit may be said to have been implicitly taken into account But the point is that the rate of profit does not play any role in his theory

4 It can also be argued that k rises secularly as the capitalists resort to mechanisation for gaining greater control over the labour process (Braverman 1974 Gordon 1976 Shaikh 1978)

There are certain theoretical problems also see Fisher 1984 Fisher and McGowan 1983 Harcourt 1965 Kay 1976

6 For 1969 70 and 1970 71 the size of the sample is 543 and for 1971 72 it is 421 Although in the following years it remains constant at 417 the individual composition presumably changes Data for a given year is often available from several annual publications always we have taken the latest available figure

As for the scope of the sample it is noted that these 41 companies accounted for nearly one half of the paid up capital of non government public limited companies at work in March 1986 When compared with the data published by the Annual Survey of Industries (ASI) on public limited companies in the private sector for the year 1981 82 these sample companies in that year accounted for 54 per cent of the productive capital 54 per cent of the value added and 49 per cent of the gross output Similar data published by the Reserve Bank of India for a larger sample of public limited companies and for a longer period indicate cycle rather than any clear trend (Sau 1988 790)

The RBI classifies the companies in terms of paid up capital into three groups small medium and large The companies in the ICICI sample would presumably fall in the large category in RBI s definition These companies in fact may be the largest among the large ones If so it could be further confirmed from the RBI and ICICI data that the rate of profit varies directly with the size of the company

8 Let E denote equity or net worth P gross profits and I interest Then q (1 t) (P I) E But I i D p P I and d D e Hence (1)

9 Let K be capital and Y value added Then r P K (P Y) (Y K) We have f P Y and y Y K Hence (2)

10 Reliable data for capacity utilisation for a longer period are simply not available During 1961 64 the average rate of underutilisation of capacity was much higher than what we find in col 12 here for 1978 85 (Bhagwati and Srinivasan 1975 183 91)

11 In some studies for example Weisskopf (1979 342n) indirect business tax is not included in value added

12 According to national accounts compensation of employees in public administration defence, and other administrative departments of the government was Rs 2 301 crore in 1970-71 and Rs 15 686 crore in 1984 85 The corresponding figures for the entire organised private sector were respectively Rs 2 793 crore and Rs 14 031 crore.

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A Compassionate Portrayal

S Akbar Zaidi

The Sole Spokesman Jinnah the Muslim League and the Demand for Pakistan, by Ayesha Jalal Cambridge University Press 1985 pp xvii + 310, £ 27 50

THIS book by Ayesha Jalal is a truly brilliant achievement It is an excellent example of the Cambridge University (where Jalal received her doctorate) school of thought in history where in the bourgeois tradition individuals—great men and less frequently women—make history determine the future of hundreds of millions and carve t new countries and nations from subcontinents Mohammed Ali Jinnah is for Jalal that great man who is crafty careful meticulous and most of all patient who after a struggle for Muslim rights lasting more than four decades ends up with a new country Pakistan carved out of British India

The Sole Spokesman is like a mystery novel, gripping and absorbing with numerous twists and turns The reader is introduced to Jinnah and acts involved in his political life from the mid 1940s to eventual partition in 1947 After a brief introduction about Jinnah and his political work in his earlier years within a few pages of the book we are in the thick of the nationalist movement following the Government of India Act of 1935 Jalal has discussed at great length the meaning and importance of the act to the provinces of British India and shows how the British very intelligently under the guise of permitting provincial autonomy further fortified their own rule encouraging provincial ambitions and keeping the centre firmly in British hands was not a strategy for getting out of India but a way of staying on" and again The 1935 Act had provided the steel frame' which could preserve British rule in India'

The results of the 1937 elections following the 1935 Act give Jalal a first opportunity to discuss the political capabilities of Jinnah and we are privy to her view about the man who created Pakistan In the elections the Muslim League was severely thrashed and completely rejected by the electorate in Muslim majority areas in the Punjab the League won 1 out of 87 reserved Muslim seats, in Sind none of the 36, in NWFP none of 36 and in Bengal, only 37 of 119 This humiliation prompts Ayesha Jalal to say "anyone except Jinnah would have been tempted to throw in the towel But Jinnah was a fighter and he was the master of a long slow game, an expert at seeing chances in the worst reserves" (p 33) This view of Jalal that Jinnah was a brilliant tactician is one of the two primary theses and revelations in her book

To Salman Rushdie the Jinnah caricatured by Attenborough in his film *Gandhi* came across as a Draculaesque figure in more than just the physical sense Unlike that blood sucking vampire, Jalal paints a compassionate picture of a clear and skilful tactician who waits for the right moment and then makes his careful moves She agrees with other contemporaries and historians [who] have often described Jinnah as a player who kept his cards to his chest and adds and a good player with a poor hand has to pretend to have different cards than those he is actually holding So there is nothing surprising about Jinnah's inscrutability or that the final result was so different from the one which he had so skilfully planned and fought so hard to achieve And as an follow up critical negotiations with Wavell in September 1946 Jalal is led to say one clue to Jinnah remarkable resilience in the face of grave political setbacks over whelming odds and unremitting squeeze play was his extraordinary capacity to fight when all would have appeared lost to lesser men For Jalal this quality of perseverance and patience in Jinnah was a major factor in the creation of Pakistan

The other major thesis in her book, one which is indeed a major revelation to most readers in Pakistan who have been fed lies by official spokesmen over the last decades is that Pakistan for Jinnah did not mean the partition of India In fact what is most revealing is that the term and concept Pakistan was never defined by any of the Muslim League leaders least of all Jinnah Pakistan throughout the 1930s and 1940s (even up to 1947 itself) remains an abstract homeland for Muslims with often vague and conflicting boundaries and with a clearly undefined constitutional status

In April 1940 following the Lahore Resolution I I Chundrigar a very senior Muslim Leaguer asserted that The object of the Lahore resolution was not to create 'Ulsters' but to achieve 'two nations welded into United India on the basis of equality' Bold departure though it seemed to be, the resolution was hunting for an alternative to majority rule, not seeking to destroy the unity of India" (pp 70-71) H V Hodson, the reforms commissioner of the British government who visited India in late 1941 concluded in his report that "most Muslims with whom he had spoken, including orthodox supporters of Pakistan from Jinnah downwards were thinking in terms of the British staying on Every Muslim Leaguer interpreted Pakistan as consistent with a confederation of India for common purposes like defence provided the Hindu and Muslim element therein stood on equal terms (p 70)

In August 1944 Jinnah gave a press statement to the newspaper *Nawai Waqt* in Lahore and the gist of the statement is quoted by Jalal as follows 'Jinnah's Pakistan did not entail the partition of India rather it meant its regeneration into an union where Pakistan and Hindustan would join to stand together proudly against the hostile world without This was no clarion call of pan Islam this was no pitting Muslim India against Hindustan rather it was a secular vision of a polity where there was a real political choice and safeguards, the India of Jinnah's dreams (p 122) Mian Mumtaz Daultana a senior politician from the Punjab reminiscing about events in June 1946 also reaffirmed Jinnah's statement and said that Jinnah never wanted a Pakistan which involved the partition of India and was all in favour of accepting the Cabinet Mission proposal (p 202) Although the demand for Pakistan had been made in the 1930s at the All India Muslim League Council Session held in Bombay in June 1946 Jalal writes that Jinnah was unable still to define the demand for Pakistan precisely" (p 211) That is not all Nazimuddin, a senior Bengali Muslim Leaguer even in February 1947 a few months before Pakistan was created and when evidence of some sort of agreement about a Muslim homeland seemed almost obvious did not know what Pakistan meant in fact nobody in the Muslim League knows ' (p 238) Three months before August 1947 in May following negotiations with Mountbatten Congress and Jinnah Jalal concludes It was Congress that insisted on partition It was Jinnah who was against partition

This central thread in Jalal's thesis is indeed revealing and an eye opener to most who have been brainwashed by official historians in Pakistan who have distorted facts to suit their own nefarious designs The lack of clarity of the great Quaid-e-Azam and his coterie so convincingly illuminated by Jalal contradicts the official spokesmen in this country who have gone out of their way to show that a plan for an independent homeland for Muslims in India was designed as far back as the 19th century by Sayyed Ahmed Khan and later echoed by Mohammed Iqbal in the early 1930s True, there may have been some discontent and resentment against Hindu

domination amongst the nobility of some provinces of India Jalal has shattered yet another myth when she meticulously demonstrates how it was the Muslim majority provinces which were in fact most allergic to 'Pakistan

It was mainly the four Muslim majority provinces Punjab Bengal Sind and the NWFP which were most distant to the idea of a Pakistan Pakistan seemed to be only the need and demand of a handful of the elite from the Muslim minority provinces with little support elsewhere The League was humiliated in the 1937 elections and although it gained respectability in the 1945 elections Jalal writes that as late as April 1946 there was no support for Pakistan in the majority provinces Sind and the NWFP wanted independence and not Pakistan In the NWFP the Mission was bluntly told by the Congress chief minister Dr Khan Sahib that the League did not represent Muslims The Pathans had no love for their Punjabi neighbours *They would never willingly join Pakistan* They wanted no centre at all but they did not fear domination by a Hindu centre *What they wanted most of all was to be entirely independent* (p 181 my italics) The Punjabis wanted provincial autonomy states rights and a weak federal centre The chief minister of Sind Ghulam Hussain thought all would be well if only all India politics could be kept out of the provinces and in particular out of Sind (p 180) He believed that Sind must be left alone by all outsiders whatever their faith (p 180) The Bengali leadership feeling the partition of Bengal quite categorically said that Bengal was Bengali not Muslim (p 180) This puts to rest a great deal of the nonsense and fiction espoused by appologists of the two nation theory This is a major contribution to which we are thankful to Ayesha Jalal

Since the League represented the aspirations and interests of the nobility of the Muslim minority provinces its social programme and philosophy also reveal its true colours In October 1937 Mohammed Iqbal

> was convinced that the League would now have to decide whether it will remain a body representing the upper classes of Indian Muslims or the Muslim masses who have so far with good reason taken no interest in it The real issue as Iqbal saw it was how to solve the problem of Muslim poverty?
>
> The only way to solve the problem of bread for Muslims was to enforce the Law of Islam A bold social and economic programme based on the Law of Islam for the Muslim masses would according to Iqbal do the trick but what such a Law involved or how it could be implemented was not very clear, and in any case Jinnah was too shrewd and too secular to chase this particular hare. If the 'Law of Islam' was to be interpreted by the ulema, the traditional guardians of the law, Jinnah would certainly have nothing to do with it Moreover Jinnah could see that any appeal to religion, or to a radical economic programme, might only too easily boomerang on its proponents *The League could not even begin to set out a plausible facsimile of a programme to eradicate Muslim poverty since such support as it possessed came from vested landed and business interests at the apex of society* In any event such appeals were irrelevant to Jinnah's predicament (p 42 43 my italics)

In October 1944 Abdus Sattar Niazi (a senior Leaguer from Punjab) called a meeting in Lahore to discuss making Pakistan an Islamic state The *Civil and Military Gazette* saw this as an open rebellion against Jinnah and the League Earlier in April 1943 at the League's Delhi session a resolution which would have committed the League to basing the future constitution of Pakistan on Islamic principles was quietly withdrawn at Jinnah's insistence' (p 96) Yet another myth propagated by the official media in Pakistan is buried by Jalal

There are certain minor points of importance which further help in making *The Sole Spokesman* the masterpiece it is The role of Mountbatten is shown to be very partisan in his dealings with the final process of partition Mountbatten considered Jinnah at various times a lunatic bastard evil genius and psychopathic case Given this perception it is not surprising that in the last crucial days Mountbatten time and time again took Nehru into his confidence As Jalal argues repeatedly Mountbatten failed to observe protocol or the pretence of impartiality It had been agreed to show the plan simultaneously to all the political leaders But Mountbatten in an act of friendship -showed Nehru the plan on the condition that he would not discuss it with his Congress colleagues and kept the plan away from Jinnah (p 272) It was due to Mountbatten's intense dislike towards Jinnah that Nehru Congress and India were repeatedly given the benefit of the doubt when it came to critical issues concerning the partition of India

Ayesha Jalal has also highlighted the dynamics of the Muslim majority provinces in great detail and has analysed their relations with the central offices of the League and with Jinnah himself Her understanding of local politics is quite impressive and her reading of the Punjab later Pakistan's most populous powerful and influential province, is interesting Time and again she talks of the Punjab's traditional opportunism and how the leaders of the province would frequently sell to the highest bidder As long ago as the days good or bad, of Ranjit Singh, who knew his Punjab, the big families had survived the vicissitudes of change at the top, in court and darbar by knowing when expediency demanded them to be turncoats—an old Punjabi tradition, alive and well to this day Once the unionists were deemed no longer the best security for their local interests the landlords and pirs were ready to call in new patrons" (p 143-44) Evidently not only Ranjit Singh but Jalal too knows her Punjab well

There are a few criticisms of this otherwise excellent achievement First, there is the broader issue of ideology and the question What is history? Is history made by a dozen politicians who are articulate and convincing negotiators? Or is it made by people, by productive forces and by a wide canvas on which economic forces dominate? Clearly, Cambridge University subscribes to the former school which this reviewer rejects Nevertheless within the bourgeois paradigm, this book is supreme. There is then the essential question what made Jinnah tick? Why was he so single minded resolute, determined? Why did he want Pakistan? For Whom? Was it power or just an intellectual and political challenge? One searches for answers to these questions but fails to find any A third criticism of the work deals with an apparent contradiction in Jalal's analysis She has portrayed Jinnah as a brilliant tactician and negotiator who usually won But the final settlement by Mountbatten was indeed defeat for Jinnah and Jalal too concedes this point Mountbatten ruthlessly outwits and humiliates Jinnah into submission and acceptance of a 'motheaten' Pakistan So did he really succeed after all?

With the publication of this work dealing with Jinnah and the freedom struggle for Pakistan Ayesha Jalal has established herself as an outstanding Pakistani historian dealing with that era She has filled the space which was occupied previously by sycophants and official scribes who posed as historians Indeed, this masterpiece will herald her as a major Pakistani social scientist of international repute and clout It is no longer possible to write about either Jinnah's politics or the question of partition without a thorough reading of Ayesha Jalal's definitive book She also has the advantage of being a very gifted writer with supreme command over the subject and over the English language a rare combination amongst Pakistani scholars Indeed with this background one looks forward eagerly to her future works

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Ahmadi Movement: Resolving Some Confusions

Asghar Ali Engineer

Prophecy Continued—Aspects of Ahmadi Religious Thought and Its Medieval Background by Yohanan Friedmann, Oxford University Press 1988, pp xiii + 218, Rs 175

AFTER the Ismaili movement the most controversial movement in Islam has been the Ahmadiya movement The former originated in the second century of the Islamic era and it was influenced by the Greek thought and philosophy The Ahmadi movement, on the other hand originated in the 13th century of Islamic era, its founder was an Indian and it was a religious response to the western Christian mode of thought sought to be imposed in India Both these movements represented heterodoxies in Islam Both were attacked and persecuted by the orthodox Muslims However while the orthodox theologians have seemed to be reconciled to Ismailism of late, the Ahmadis are still under intense fire throughout the Islamic world The reason for this irreconcilable attitude towards the Ahmadis is the perception—which is not altogether false that the followers of the Ahmadi sect do not believe in the finality of the prophethood of Muhammad

There is a great deal of confusion of thought as far as Ahmadis are concerned There are claims and counter claims The need for an objective and systematic study has long been felt for quite sometime The confusion has been caused both by Ahmadis themselves as much as by their orthodox rivals from amongst the Muslims Yohanan Friedmann's study is all the more important as the Ahmadi sect is the latest to appear on the religious horizon of Islam Also this sect again like the Ismailis has been most organised vigorous and dynamic No one but the most prejudiced can deny their contribution to the spread of the Ahmadi version of Islam and their establishment of Islamic centres in various parts of the world especially in Europe and America

The book is divided into four parts part one has one chapter two and three have three chapters each and part four has two chapters The first chapter of part one deals with the history of the Ahmadiya movement Ghulam Ahmad, its founder was born in the late 1830s in a village in Punjab called Qadiyan Ghulam Ahmad invited people to pledge allegiance to him towards the end of 1888 with a claim to a revelation in Arabic which said, "If you made up your mind, trust Allah Mark the ark under our eyes and as we reveal Those who pledge allegiance to you, really pledge allegiance to Allah Allah's hand is over their hands"

Parts of these revelation are identical with the Quranic verses Several of Ghulam Ahmad's revelations had this quality The first ceremony of initiation took place in 1889 in Ludhiyana in Punjab The Ahmadiya as an organisation was thus established From 1889 annual gatherings began to take place in Qadiyan where Ghulam Ahmad delivered religious sermons At these gatherings plans were also made for missionary activities in Europe and America Ghulam Ahmad also followed the method of issuing challenges to Muslims Christians and Hindus for debate on various controversial issues

It would be seen that the controversies were mainly of theological and not social or economic nature This was limitation as well as the strength of Ghulam Ahmad Also Ghulam Ahmad's own theological contribution was not of novel nature He stuck to mainly orthodox dogmas except on the question of Isa's death termination of revelation with the death of Prophet Muhammad and the nature of *jihad* Ghulam Ahmad did not believe in the traditional concept of *jihad* i e waging war with sword Neither did he support the idea of fighting against the British It was under the influence of the ideas of Ghulam Ahmad that a noble in the court of the Afghan King Abdul Latif spoke publicly about the illegality of waging war against the British who he said afforded protection and security to millions of Muslims under their rule For his views on this issue he was put to death in 1901 by the Amir Abdul Rahman who entertained pan Islamic sentiments and had published a few years earlier a pamphlet advocating *jihad* It would be interesting to note that even in India the orthodox *ulama* advocated *jihad* against the British imperialists and issued *fatwas* instructing Indian Muslims to wage *jihad* against the British and join hands with their Hindu brethren to throw them out of India

When Ahmadis suffered persecution in Afghanistan many were imprisoned and two of them were executed the Afghan authorities received full support from the Indian *ulama* Shabbir Ahmad Uthmani of Deoband published in October 1924 a book in which he argued that the Ahmadis were apostates He also surveyed the *shari* injunctions on apostacy and reached the conclusion that in Islamic law it carried the death penalty and thereby justified the punishment inflicted on the Afghan Ahmadis This book, it is interesting to note, was again published after partition and was used as anti-Ahmadi *fatwa* during the anti Ahmadi disturbances in Pakistan in 1953

The author has devoted one full chapter to Ghulam Ahmad's idea of *jihad* The author rightly maintains that the reinterpretation of the idea of *jihad* is one of the main themes of Ahmadi religious thought Ghulam Ahmad's book *Government-i-Angrezi awr Jihad* (*The British Government and Jihad*) has been entirely devoted to it The author points out "The centrality of this theme in Ahmadi thought is evidently related to Ghulam Ahmad s involvement in polemics against the Christian missionaries and members of Arya Samaj As we have seen above both groups used the idea of *jihad* to describe Islam in an unfavourable, aggressive light Ghulam Ahmad was convinced that the *ulama* who cling to the traditional interpretation of the idea and specially those who propagate the traditions about the bloody mahdi expected to come and eradicate the infidels supply the enemies of Islam with an effective weapon"

Ghulam Ahmad was convinced that Allah entrusted him with the task of restoring the idea to its original form in order to defend Islam against the attack According to Ghulam Ahmad the commandment of *jihad* came into being only as a result of the great dangers that Islam faced in the first year of its existence He also quotes the Quranic verses 22 39 in which Allah says Permission (to fight) is given to those who are fought against because they were wronged and Allah is capable of helping them He thus proves his point about the defensive nature of *jihad* in Islam

The most interesting and scholarly part of the book is the one dealing with the concept of the finality of prophethood Ghulam Ahmad sent ripples of shock by claiming himself to the *mujaddid* (renewer of faith) *muhaddath* (one who is spoken to by Allah) and *mahdi* the messiah In the chapter The Finality of the Prophethood Friedmann examines in great detail the entire hadith literature and its various aspects on the concept of *nubuwwah* (prophethood)

As it has happened with other religions Ahmadi religion also got divided into two principal sects on the death of Mirza Ghulam Ahmad Lahoris and Qadiyanis This doctrinal divide has been extensively discussed in the book The Lahoris have produced many notable figures and learned scholars The Lahoris have taken an unambiguous stand that Mirza Ghulam Ahmad was not a prophet They quote the Mirza who had reportedly said in 1891 that any prophetic claimant who emerged after the death of Muhammad is a liar and an infidel However they accept him as 'shadowy prophet, quoting the later views of Mirza Ghulam Ahmad and maintaining that shadowy prophets have not ceased to appear in the Muslim community after Muhammad's death

The book deserves serious attention of scholars who wish to understand various views on the dogma of the finality of prophethood in Islam The production is also first class and the Arabic transliterations quite flawless, a difficult feat to achieve

Made in India: The Challenge

Excerpts from the speech of Shri J N Sapru, Chairman, I T C Limited, at the 78th Annual General Meeting held on 27 6 1989

Shri J N Sapru

THE INDIAN ECONOMY

Recent assessment of our economic progress indicates that in 1988 89 the growth in our Gross Domestic Product has been in excess of 11 with agriculture growing at 20 and the industrial and service sectors growing at each The performance underscores the buoyant resilience and vigour of the Indian economy which has emerged stronger even after successive droughts and reflects favourably on the measures initiated by Government in recent years to encourage industrial and economic growth

Despite the balance of payment crunch facing the country the overall performance of the economy brings out the optimist in me Having achieved the commanding heights in the public sector it is now time to pause reflect and reassess whether this good old order should not give way to the

The achievement of our objective of 6 growth in the Eighth Plan envisions an industry growth commitment of 12 coupled with at least a 10% growth in real terms of exports We must actualise these aspirations and take a significant step forward towards combating in old and tenacious adversary of our society poverty Indian industry will have to start becoming socially more responsive and internationally cost competitive

PERFORMANCE HIGHLIGHTS

Echoing the performance of the country s economy your Company has completed another good year in terms of working results posting a net income of Rs 364 36 crores profit before tax of Rs 47 21 crores and profit after tax of Rs 29 20 crores

On an annualised basis, the nine months results reflect a 27 5% growth in net income and an increase of 33 5% and 57% in profit before tax and profit after tax respectively More than the returns in a particular year it is the consistency of performance that more truly reflects the value of your Corporation Your Board has thought prudent to recommend a Dividend of 40 and capitalisation of reserves by issuance of Bonus Shares in the proportion of 1 1 subject to the approval of the Controller of Capital Issues

The Report of the Directors gives you a fairly detailed view of the Company s performance I will therefore dwell only on a few salient aspects that may be considered noteworthy

1 Foreign Exchange

Your Company is one of the largest foreign exchange earners for the country in the private sector Direct inflow of foreign exchange earnings of Rs 56 13 crores during this financial period reflects a 43% increase on an annualised basis and covers outflows five times They also represent 15 4% of your net sales income

2 Agri businesses

While all our business activities are progressing satisfactorily and continue to maintain their leadership I am particularly happy to report the progress made by your Company s newest area of business activity Different varieties of oilseeds under the brand name ADARSH have been enthusiastically received by the agricultural community in Andhra Pradesh and the market response to the SUNDROP range of cooking oils launched in the cities of Visakhapatnam Madras Hyderabad Bangalore and Calcutta has been equally heartening Significant progress has already been made in the development of hybrid seeds and I am pleased to advise that the Ministry of Science & Technology Government of India has accorded approval to your Company s Research & Development centre for oilseeds

3 Punjab Anand Batteries Ltd (PABL)

At the behest of the Government of Punjab your Company was invited to consider the revival of PABL Under a Scheme of Rehabilitation approved by the Board for Industrial & Financial Reconstruction your Company proposes to make an investment of Rs 1 19 crores by subscribing for 11 90 000 shares of Rs 10 each for cash at par This will bring your Company s shareholding to 50% and I recommend this for your approval It will take a few years to nurse this Company back to a state of health but I am sure you will be happy with this mark of confidence in the management of your Company

4 Family Welfare—FICCI Award

I am pleased to advise that, in recognition of our achievements and active participation for over two decades in the Government's Family Health and Welfare programme, your Company has been given the prestigious Federation of Indian Chambers of Commerce and Industry (FICCI) Award for 1988

EXCISE

The present position with regard to our disputes with the Central Board of Excise & Customs spanning a period of over 15 years has been explained in detail in the Report of the Directors before you The status of this issue remains as reported last year except that the Government has now transferred the adjudication from the Director General of Anti Evasion (Central Excise) to the Director General of Inspection and Audit (Customs & Central Excise) along with all other cases pertaining to the cigarette industry as a whole pending resolution since 1973

I take this opportunity to reiterate that your Company has not ever evaded excise duties nor knowingly transgressed the law In the opinion of your Directors your Company accepts no further liabilities in respect of the disputed issues and will continue to take all appropriate steps for their early and satisfactory resolution

FUTURE PROSPECTS

Indications at the end of the first quarter reflect a very satisfactory growth over the record performance of last year All our businesses continue to do well and barring unforeseen circumstances you can look forward to another year of improved performance

MADE IN INDIA THE CHALLENGE

The achievements these statistics reflect may make us sanguine but we must not be

blinded into believing that we are on a natural growth escalator which will automatically take us to greater heights without much effort We must address ourselves to two key issues namely

i Social Responsibility

ii International Cost competitiveness

If we are to continue to be at the top in the years ahead we must reorientate our purposes and strategies in the perspective of these two dimensions

i Social Responsibility

Social responsibility is inextricably linked to the concept of cost competitiveness for it is no more a mere matter of making random and token contributions to social causes Social responsibility is an integral part of corporate strategy

The very existence of enterprise cannot be justified on the basis that it is good for business The existence of enterprise can only be justified on the basis that it is good for society We exist by societal sanction and must therefore always integrate our objectives with the larger good of society not as a measure of patronage or even philanthropy but in business's own enlightened self interest

The premier social responsibility of business is to make a profit and profit is not a dirty word Allow me to reiterate what I said last year Bankrupt businesses do not create a prosperous nation The interests of our stakeholders and in a more comprehensive sense the health of our economy does depend on the profitability and productivity of our investments Not to create a surplus is not only an irresponsible act but a crime against society more especially in a developing country where capital is scarce and the compulsions of poverty are sometimes terrible but always compelling

However though profits are fundamental to a corporation being socially responsible profiteering is anathema to the concept We cannot therefore allow all responsibility morality and conscience to lie in the invisible hand of an imperfect market system

Your Company will continue to enact and implement measures in confirmation of its role as a responsible citizen in its relationships with shareholders business associates, suppliers employees, customers, the Government and other relevant publics

The courageous initiatives of the Government in unleashing the forces of growth and competition deserves reciprocal support from industry In this context your Corporation will always act with sensitivity and in conscience being aware that a responsible citizen is an integral part of being a good corporate citizen

ii International Cost competitiveness

Let us recognise that the focus to the second issue The debilitating effects of current from fixed rates of exchange to successive oil crises and the emergence of new economic superpowers and companies within them of international prominence shaken the old order and underscored the basic interdependence of the world economy In the common pursuit of improving standards of living and the quality of life nations have started agglomerating into larger economic communities to create an environment and circumstances where the rising demand for better price and lower costs can be satisfied The strategic thrusts for corporations today are now focused on economies of scale but also on economies of scope Thus in the 1990 corporations are redeployed their activities and perspective on the concept of the globalisation of markets financial services production and manufacturing factors

In India thus far we have remained relatively protected and we have not as yet felt the invigorating full force of international competition We have felt it therefore rationalised and have employed simplistic yardsticks for competence and efficiency This has extorted a high cost in terms of time and sometimes such inadequacies have aided the nation circumstance which has tended to short change our people But in the future unfolding it is unlikely that we can achieve our aspirations in terms of economic progress and maintain our share of the challenge into opportunities of the global economic phenomena

Time has come when we should recast our thinking on conventions and reservations and instead give serious consideration to development and growth cost competitiveness and quality We have created too many artificial antagonisms of large medium small and even tiny sectors in our economy which we have tried to insulate from each other without quite appreciating their interdependence and complementarity and the long term consequences of protectionism

We must develop our pride in 'Made in India', and this can only happen when we compete internationally on dimensions of cost and quality There fore let us think of the efficient and the inefficient sectors rather than of the Large medium and small

It is the contention that the same factors of production men machines materials and money and the same work culture cannot succeed shall produce two different qualities one for the internal market and yet another for the international market

As business gets globalised' your Company will invest in contemporary technologies and techniques It will create the necessary totality of culture' to meet new challenges to deliver internationally cost competitive value uniformly to its customers These measures will give a competitive edge to your Corporation

ITC's strategic direction will be towards becoming an Indian International in form and part and in conducting it will continue to serve the interests of its stakeholders and contribute to national wealth and the quality of life in the immediate and the longer time horizon

CONCLUSION

In conclusion let us recapitulate Where is we can derive satisfaction from progress made is a country and a Company internationalised economic changes are creating new horizons of challenge and opportunity

For nigh on to four score years the ITC story has been one of managing challenge and change We now approach the new horizons with confidence founded in our abilities taking sustenance from our history

The challenge we therefore face as industry leader and must resolve to establish is our pride in the tag 'Made in India'

[illegible] report by a report of the [illegible] Annual General Meeting

For the full text of the speech please write to Corporate Public Relations Manager ITC Limited Virginia House 37 Chowringhee Calcutta 700 071

ITC Limited

New horizons, new hopes

INDIA TOBACCO DIVISION · INDIA LEAF TOBACCO DEVELOPMENT · PACKAGING · DIRECTSPACE DIVISION · WELCOMGROUP HOTELS DIVISION · EXPORTS DIVISION · AGRI BUSINESSES DIVISION · PSPD · ITC LIMITED · A SITC PROMOTED ENTERPRISE

Contract ITC 47 89

FORM IVA

(See Rule 4A (1))

NOTICE

It is hereby notified for the information of the public that **IMPEX (INDIA) LIMITED** proposes to make an application to Central Government in the Department of Company Affairs New Delhi under sub section (4) of section 23 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to take over the whole or part of J K Telecom Limited

Brief particulars of the proposal are as under

i) Name and address of the applicant

Impex (India) Limited
New Hind House
3 Narottam Morarjee Marg
Ballard Estate
Bombay 400 038

ii) Name and address of the undertaking the whole or part of which is proposed to be taken over and the manner of take over i e by acquisition of shares acquisition of control or management whether by the acquisition of the owner ship of the undertaking or under any mortgage lease or licence or under any agreement or other arrangement

J K Telecom Limited
I & D Centre Building
Rangreth Electronic Complex
Badgam Srinagar

This is a Joint Sector Company promoted by J & K State Industrial Development Corporation Limited and Impex (India) Limited to execute the project for manufacturing 50 000 lines per annum of EPABX/RAX As per the Shareholders Agreement dated 12th October 1987 between the promoters 51% of the total equity capital is to be subscribed by J & K SIDCO and 49% of the equity capital to be subscribed by the applicant

iii) Management structure of the applicant

The Company is managed by the Board of Directors Chaired by Shri Ajaypat Singhania

iv) Capital structure of

a) The applicant

Subscribed and paid up capital	
3000 Cumulative Performance Shares of Rs 100 each	Rs 3 00 lacs
4 67 600 Equity Shares of Rs 10 each	Rs 46 76 lacs
Total	Rs 49 76 lacs

b) The undertaking proposed to be taken over

Proposed equity Share Capital	
3 91 000 Equity Shares of Rs 10 each	Rs 39 10 lacs
To be subscribed by	
J&K SIDCO – 51%	Rs 16 38 lacs
Impex (India) Ltd 49%	Rs 15 72 lacs
Total	Rs 39 10 lacs

v) Line(s) of business of the undertaking which will or is likely to emerge as a result of the proposed take over

The proposal is merely to subscribe for 49% of the Equity Share Capital to be issued by J K Telecom Limited as per the Shareholders Agreement No change in the lines of business is envisaged

vi) Consideration for the take over

The shares shall be issued for cash at par

vii) Scheme of finance indicating the source(s) of finance for the proposed take over

Both the promoters have incurred expenditure/advance monies towards implementation of the project which will be adjusted by issue of shares to the above extent Amount spent/advanced over and above the respective promoters equity contribution shall be refunded in due course by J K Telecom Limited

2 Any persons interested in the matter may make a representation to Secretary Department of Company Affairs Government of India Shastri Bhavan Dr Rajendra Prasad Road New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

For **IMPEX (INDIA) LIMITED**

Dated this 29th day of July 1989

P R JAIN
DIRECTOR

Investment in Literacy for a High-Technology Society

Tapas Majumdar

Literacy and modernisation are conceptually interrelated and, therefore, their pursuit should be also interdependent Yet the two movements appear to be proceeding in their respective self reliant ways This paper tries to talk about the interrelationship and the interdependence, chiefly from the economist's point of view

TWO movements in human resource development occupy the centre stage today in most south Asian economies and particularly visibly so in the large population economies like India One is the old movement for the still remote goal of universal literacy that has now gained a new urgency The other is a comparatively new (or emerging) movement, gaining ground everyday, for what may be called scientific modernisation of society This movement too reflects a special urgency among the developing countries for securing a place in the sun in the twenty-first century—a century that is seemingly destined to begin as an era of high technology and high hopes at least for economies that are (or can be) endowed with abundant human if not material capital

Literacy and modernisation are conceptually interrelated and, therefore, their pursuit should be also interdependent Yet the two movements appear to be proceeding in their respective 'self-reliant ways This paper tries to talk about the interrelationship and the interdependence chiefly from the economist's point of view While writing it however, I have been inevitably made conscious of many other points of view too, not the least those of the sociologist and the political scientist

Economics of Education

It is easy to see education as an economic activity at least in the simple sense that it calls for rational allocation of scarce economic resources Arguably it produces a good or goods that we want and are prepared to make some sacrifices for in order to possess But anyone trying to work out the economics of this activity would immediately discover a number of peculiarities that mark out education—and more prominently, education for literacy—from the more common kinds of economic activities Since the differentness of human capital formation is an implicit theme of this brief essay I may begin by talking about it first I propose to refer for that purpose to three simple propositions that are basic to the understanding of this differentness

Proposition 1 Learning as an activity implies the learner s own investment in time and effort

The main point of this proposition is that no one can buy instant education So long as instant education remains unavailable in the market—which is likely to be the case so long as definitions are not changed—there has to be a minimum time and effort cost of buying a given quantum of education (given that is in type, quality and length of time) which would distinguish it from buying most other kinds of consumer or capital goods in the market

The proposition that education necessarily implies the learner s investment in time and effort is thus stronger than the one that merely says that a rational human being invests in education and thereby in human capital the same way as one would invest in any other kind of capital physical or financial

It may be noted that the learner s investment is essential but it is still only one part of society's investment in education The other part is provided through a set of activities that can generally be described under the heading of 'teaching' as contrasted to learning I have elsewhere (Majumdar, 1983) described investment in education as a composite two part two domain investment One part is the investment of the learners in their individual domain The other part is the investment of the providers of education in the institutional domain The two kinds of investment in the two domains are different but they have to match in time and effort (and other resources) to make sense

Proposition 2 Human capital once acquired cannot be transfered the same way as other capital or inventory

This proposition can be elaborated in two parts The first part simply follows from Proposition 1 Since acquiring of human capital is necessarily time and effort consuming there can be no instant transfer because the transferee will need time and effort to receive the transfer

The second part of the argument arises out of the idea of domain distinction in investment in education that I talked about separating investment in teaching (in the institutional domain) from investment in learning (in the individual domain) There has to be investment of both kinds for a transfer of human capital to take place and teaching like learning implies time Presumably it also implies effort - of a kind

It should moreover be noted here that the transfer of human capital exhibits another peculiarity that almost violates the conservation law of economics and sets human capital apart from every other form of capital its transfer does not deplete the original stock In fact there even exists the liberal myth that teaching increases the teacher s stock of learning! This 'counter-economic characteristic has obvious beneficial effect on the cost of education particularly at the level of the spread of literacy where the time and effort cost of *teaching* is not particularly high

Proposition 3 Most kinds of educational activity are sequential—literacy by definition being the first step in a sequence

Though this is perhaps the simplest of the three propositions economists need to ponder at least two of its implications carefully Many of our operational judgments in the area of investment in education will be found to be vitally connected with these implications

First is the logic of the educational pyramid The familiar hierarchical structure of formal education is provided by the sequence of primary secondary and tertiary education with literacy at the bottom and higher research at the top The philosophy of non formal and continuing education challenges mostly the rigidity of the structure but not necessarily the sequential nature of most kinds of educational activity

This implies that the costs and returns of an educational activity have to be calculated taking into account not only the scenario where it is an end in itself but also ones in which it is expected to lead to certain subsequent steps in education The calculation of costs and returns of a certain type of literacy movement, for example, may depend on the extent to which the particular type of literacy envisaged would be favourable to the emergence of the supply of a given type of technical manpower for the economy In other words the calculations may depend not only on what good literacy of a given type does by itself but also on what good the supply of scientists, for example, that is expected to flow from that type of literacy would do to the economy

The second implication of the proposition is that literacy, the first step, has to be defined in relation to the subsequent steps.

It may not always (or ever) happen that the first step would be the same irrespective of the subsequent ones that may be envisaged

LITERACY

Kuhn (1962) once distinguished between two kinds of progress in the natural sciences normal and revolutionary When we have progress of the normal kind there can be change even rapid change in the state of the art of a discipline but there are no changes in the accepted paradigms It is as if the stock of knowledge while it is being added to is nevertheless built around or built upwards on certain existing premises For this kind of progress the prerequisites for higher knowledge at least the first prerequisite that we called literacy would remain unaltered Normal progress in science then is visualised as being based on fundamentals that either do not yet need to be questioned or at least have not yet been successfully challenged

Contrasted to normal changes are changes of what Kuhn called the revolutionary kind that flow from the abandonment of many of the old premises With such changes new and hitherto unsuspected areas of inquiry emerge new questions become relevant and are asked and new answers are found In revolutionary times new scientific disciplines emerge breaking hitherto accepted jurisdictional barriers of old disciplines Old disciplines often even acquire newer connotations

What happens to the natural sciences happens in different ways presumably to other branches of knowledge as well And in course of time, sooner or later society and the economy accept these responses in the body of knowledge as relevant to the needs of the times By this I mean that the need of the new knowledge base as prerequisite to entry into the new technology oriented occupations eventually gets articulated The required qualifications for many new jobs as well as the revised requirements of some old ones become thereby related to the new knowledge

With such drastic changes in the required qualifications the prerequisites for many courses of learning are also equally drastically changed In fact the time then comes for educators to realise that even the idea of what constitutes literacy the first prerequisite of sequential learning has to be re examined from the point of view of the new requirements Perhaps such a re examination has become due in our society today for the presumption is that high technology of a revolutionary kind appears to be bearing down upon us with all the semblance of inevitability It is possible that the re examination will indicate that the idea of literacy for the modern age needs to be extended beyond its classical definition in terms of learning and using the literary alphabet The idea of literacy in the more profound sense had of course always been related to or even interpreted essentially as learning to live in society The new literacy definition too, then has to relate to and be interpreted as learning to live in the new high technology environment of modern society

TWO REASONS

Much is known and much more has been written about why literacy defined appropriately for the age is good for everybody Without further reference to the rich and extensive literature on the subject spanning many disciplines I would merely note that there are basically two aspects of the person in the street or Everyman that education at the level of literacy is meant to address The first aspect concerns Everyman's role as productive agent The second aspect concerns Everyman's way of life as citizen and consumer

The social concern it is to be presumed will be for both aspects Society in other words would be interested in linking literacy both to (a) the preparations that have to be made for obtaining an adequate supply of qualified manpower for the productive needs of the economy and (b) the preparations that have to be made for permitting the person in the street to enjoy an enhanced quality of life living in (and adjusting to) a complex high technology society

Economists usually talk directly and freely about the first aspect but only implicitly and guardedly about the second if at all The source of the economists inhibitions in dealing with the interaction between literacy (or education) and the quality of life is not far to seek the economist's usually accepted paradigm of consumer behaviour cannot easily accommodate it The individual preference relations that the economist defines are not conceived to be capable of being changed consciously and deliberately through education The assumed rationality of the individual falls short of the rationality of *changing* preferences (see Majumdar 1980) while that precisely may be what education at least at the level of literacy is all about

It is this consumer or citizen's role aspect however that attracted Herbert Simon's (1985) attention as he discussed the concepts of scientific literacy for Everyman whom he called following Lillian Lieber (1942) The Celebrated Man In The Street or T C Mits Only changing with the times Lieber's man becomes for Simon (as for us in this paper) a person (i e the German mensch)

In this brief paper I have in mind mainly Simon's concern Therefore I too will deal with the quality of life aspect of T C Mits who has to learn how to live in a high technology society But I will come to that concern only after spending a few words on the first aspect which relates to the productive efficiency of T C Mits and to society's need for that efficiency This I consider necessary because there is an interconnectedness between the two aspects

One could perhaps take the position that what was involved in the idea of universalisation of literacy (of the relevant type) was actually a question of equity rather than of efficiency How many in society ought to be provided with a given type of literacy depended on what society's equity goals were But how many literates of that type society actually needed keeping in view its technical manpower requirements was on the other hand a question of economic efficiency and depended on positive rather than normative economic conditions One could then reasonably say that it was the positive second question that was related to the productive efficiency aspect of Everyman from the point of view of society while the normative first question was related to Everyman's quality of life in the economy

I have, however tried to argue elsewhere that there is a probabilistic argument (Majumdar 1983) and a plausible historical anecdotal argument (Majumdar Khadria and Mukherji 1987) both of which point to the interconnectedness of the two questions separate as they are I will briefly state these two arguments here

PROBABILITY

The first argument has two parts For Part I consider the problem of producing a desired number (say 5) of a particular type of very high quality manpower say top level physicists This problem I suggested (Majumdar 1983 p 13) was basically different from that of producing a desired number of a particular type of very high quality industrial output To produce five good sports cars to take an example from manufacturing high quality products in a normal economic enterprise, it should not be necessary to produce them in a larger group of fifteen other cars for company and encouragement But to produce five good physicists it may well be necessary to put them in a class of twenty This is so not only because students have a tendency to try to keep up with and improve upon one another but also because they can often learn from one another rather than from the appointed teacher and the other planned inputs

Moreover as I argued in Majumdar (1983 pp 13 14) There may be another factor that usually does not attract our attention Education itself is essentially a groping and probing process It may act like the filter that Arrow (1973) postulated separates the good from the indifferent but perhaps it may do so only after long and continuous search It is only at the end of the day that it will be discovered which five among twenty of equal promise blossom into the high powered physicists that society had intended to produce"

The implication of the foregoing is simply that society often does not have the equity problem as a constraint to start with It may not have to choose five from amongst twenty equally promising people for admission to a course, since admitting all twenty may well prove to be actually more efficient

Part II of the probabilistic argument will run along similar lines, but will be particularly applicable to a situation in which

a large and diversified economy has to look for efficient ways of building up *over time* a large and *diversified* body of specialised manpower The problem here is one of searching for and grooming the right talent for the right job over a vast field of alternative specialisations A probabilistic approach to the development of human resources over time in this case goes beyond the consideration of producing the best in a given line out of a given set of entrants– which was the limited concern of Part I of the argument The wider approach in fact would lead to the proposition that the larger the number base of entrants to education in general (i e, wider the level of literacy) the greater is the prospect of ending with the right array of people trained in the right way for jobs in every kind of specialised occupation

Thus whether society addresses the specific task of producing five good physicists out of twenty prospective ones or the more general task of creating conditions that would maximise the prospect of developing over time a desired level of specialised manpower for the economy as a whole in either case there will be a positive (and not necessarily only normative) economic argument in favour of larger numbers and therefore greater equity In other words the pursuit of equity at the beginning may well lead to efficiency in the end as an outcome

A PLAUSIBLE LINK

Another argument connecting the two questions may appeal anecdotally It relates to a presumption about our historical experience with skill formation Skill according to this argument is necessary not only in production but also in consumption What is more the former often is encouraged to grow by the latter This is because the process of formation of a given skill does not necessarily end with the skilled person's entry into the employment market It usually continues well beyond the acquiring of further skill often depending on how well it is assessed and valued by the eventual consumers T C Mits today according to this argument plays the role that the cognoscenti played in earlier societies (Majumdar et al 1987, pp 30-31) The very attainment and maintenance of high quality skills in the workforce it is held demands skills of almost similar kinds among the consumers The standards attained by the artisan working in the medieval guild depended not only on his training within the guild, but also on the fact that among the gentry were amateur practitioners of the same skills themselves who knew exactly what to demand of the skilled craftsmen and how to value superior output Now this role is taken over by T C Mits There is now a natural link between the skill of the average person in the street in surviving and prospering in a high technology society and the skill of the average person as a factor of production in that society

One implication of the foregoing argument is as follows those who acquire the type of literacy that modern society demands of T C Mits have a positive role to play in societal skill formation even as consumers Obviously the days of amateur gentlemen practitioners of the arts crafts and games on the demand side contributing towards the excellence of professional practitioners on the supply side are long since passed What we have in their place on the demand side are the T C Mits variously skilled and informed

Whether it is the motivation of competition and talent search amongst the learners (suggested by the probabilistic argument) or the proddings of the cognoscenti (suggested by the anecdotal historical experience) the net effect of an appropriate type of literacy provided on a large scale should be positive on productive efficiency itself With this I now turn to our obvious next concern What is the kind of literacy that one may call appropriate for T C Mits in the modern high technology society?

EVERYMAN

The character of T C Mits predicament in modern times can perhaps best be visualised in the following way Until very recently– in what one might call the *pre modern* times innovations in industrial societies came to the consumer mainly in the shape of labour saving devices The introduction of the washing machine or the steam iron meant that Mrs Mits did not any longer have to use her arm muscles vigorously while doing her laundry just as the introduction of the motor bike had spared Mr Mits from exercising his leg muscles And what was labour saving was also time saving in a straightforward sense

Modern gadgetry of the present epoch in contrast is directly information using rather than directly labour or time saving That it is usually also labour saving or time saving I submit is an incidental feature important mainly from the standpoint of the economy or as an accounting description But it may or may not be an object of particular concern for the individual user

Let me take a simple example to make this contrast clearer Consider the automatic and electronically programmed washing machine that has since replaced Mrs Mits old one The new machine can be pre set to perform a series of operations automatically correctly picking up complicated sequences for washing silk cotton and man made fibres In choosing the right sequence the machine is not constrained by the extent of Mrs Mits knowledge or ignorance about the treatment of different kinds of fabric for washing

What Mrs Mits has now embedded in her washing machine is *information* What she can do without now is having that information drummed into *her* head as part of her human capital The new washing machine also happens to be labour and time saving compared to washing by hand, but it may not be either if compared to the old washing machine in any absolute sense. In fact, often the minimum quantum of labour or time to be spent on the new gadgetry may be greater than what Mrs Mits customarily used to spend on the old machine It is only when the variety the quality and the quantity of output corresponding to that minimum quantum of time and labour are taken into consideration that it might turn out that the information using machines are relatively labour and time saving too compared to the old machines

There is a genuine sense, however, in which the average consumer may be said to be better off with the information-using machines It is in the sense that the new high-technology devices offer the consumer new alternatives that he or she might not even have thought existed In other words, the information embodied in the new machine—to the extent that such information was not already in the consumer's head—may open up new vistas of extended choice Extending the boundaries of consumer choice would be by itself extending welfare in Lancaster's (1966) sense

One essential aspect of high technology, then is that it spares T C Mits the cost of acquiring some information to be stored in one's head by providing the same information in the machines But in doing precisely this it also has to demand that the literacy prerequisite for living in the age of informatics be revised so that T C Mits might read the machines

What exactly is the character of this new literacy that T C Mits must have today? The answer to this question I suggest, depends on the level at which T C Mits is expected (or permitted) to operate as a concerned member of society in a high technology environment without having to go for (or being dependent on getting the opportunity of) subsequent schooling In a democracy, one may add it depends on the level at which T C Mits himself or herself decides to operate

LITERACY TYPES

T C Mits may wish only to *use* the new machines This requires, as is nowadays being increasingly discovered a fairly simple skill The basic ability to use computers is acquired almost by only having computers around Old type literacy usually associated with only the first two R's of reading and writing was in comparison, a fairly complex skill It involved not only recognising but also recreating the topologically complex forms that constitute the alphabet in any language

Experience suggests that computer literacy at the level of using the programmed machines only, can be universalised at little cost at the margin since it is probably a function of only the number of encounters one has with computers Let L_1 stand for literacy at this level L_1, then, is the first order literacy of our high technology society

T C Mits, with any sense, would possibly go further Eventually one would see the

point of having a personal computer as well to help solve the family's new and increasingly more complicated time and money allocation problems with a bewildering set of activity alternatives. The sight of neighbors getting ahead in life with such equipment would no doubt both provide the incentive and show the way. We may call the ability to programme one's activities with the help of high technology as computer literacy of the second order or L_2.

L_2 should be seen as an extension of the more familiar concept of numeracy, the third R (rithmetic) of old. Numeracy has been the usually forgotten component of overall literacy. It does not, for example, appear among the census figures for literacy. But there is a legend that it provides a divide of sorts between the two cultures, scientific and literary, in the sense of C. P. Snow (1959).

How widespread can L_2 become in society? One can think of two obvious limiting conditions to the process of universalisation of this computer literacy of the second order. First is the limit imposed by the scarcity of economic resources to T C Mits access to personal computers. Not everybody, certainly not the majority of the people living in the developing world, for example, could have access to personal computers in the foreseeable future.

It is interesting to note that on the count of access, L_2 is likely to play the almost reverse role of numeracy in a divided society. Of the three R's, reading and writing had traditionally marked the privileged class more than arithmetic. The so-called illiterates could, and did, without feeling particularly handicapped, engage in minor trades and other economic activities that depended on the ability to count. Up to a point the ability to count thus tended to play a relatively counter-elitist role in society, being a more universal, if not more plebeian virtue, reading and writing being more priestly. L_2, in contrast, even though a descendant of old time numeracy, differs sharply from its progenitor in this respect. Clearly it will not serve as the poor man's answer to prayer for seeking entry into the twenty first century.

The second limit to the process of universalisation of L_2 is suggested by an altogether different kind of consideration. Are there possibly certain inherent (mental?) barriers to the kind of scientific literacy that L_2 implies, barriers that every person in the street cannot be expected to be able to overcome? As of now, there are probably no definitive answers to this question. But two kinds of evidence suggest two possible reasons for what Simon (1984) calls a Science Mathematics Bump.

First, there is the physiological evidence that leads to the popular hypothesis that there are two distinct kinds of intelligence, analytic located in the left hemisphere of the brain, and intuitive located in the right hemisphere. The hypothesis is usually embellished further by the notion that scientists and technical thinkers largely depend on analytic intelligence and, therefore, on the left hemisphere of their brains (of course, if they are right handed). In contrast, the imaginative and creative artists are supposed largely to depend on intuition and, therefore, on the right hemisphere.

If L_2 can be acquired through (and only through) analytic intelligence, then persons habitually prone to using the right hemispheres of their brains would have a problem, a science mathematics bump to overcome.

The second kind of evidence is mainly anecdotal, coming from the study of the two kinds of aptitudes—mathematics and science aptitude and verbal aptitude. Simon noted the curious fact that for persons with adequate verbal aptitude, the moment of truth for judging their mathematics and science aptitude comes at a curious point—when the occasion arises for making a translation between verbal and mathematical representations of information. The moment of truth, suggests Simon (1984, p 137),

> the moment that separates those who will continue in science and mathematics from those who will leave the arena as soon as they are permitted to, arrives when the students are confronted with their first algebra story problems, problems stated in natural language that has to be translated into the language of equations. One might naively suppose that this would be precisely the part of the algebra course in which students of high verbal ability would shine. If the anecdotes are reliable, it is not.

Results of research in cognitive psychology, Simon goes on to suggest, indicate that the difficulty encountered in the algebra story problems is not peculiar to the handling of mathematical symbolism as such. It is ingrained in the problem of translating from one language to another because all such translation has to pass through some kind of internal semantic representation in the translator's mind. To be able to create such semantic representation from stories of real life experience is to be able to take the first necessary step in using a syntactical cum lexical language to a purpose. Once this internal representation is achieved, the problem of translation into mathematics is essentially not different from the problem of translating a French text into English.

Economics of L_2 must obviously take into account then two adverse possibilities: (1) Many people who are not analytically bent may find themselves at a relative disadvantage with L_2. If they have to depend on the left hemisphere of the brain for acquiring L_2, when they are more accustomed to using the right, they obviously will have some problems. (2) Even people with high analytical powers as shown by their high verbal ability may face a mental block in translating from verbal to L_2 language.

There is fortunately no evidence to suggest that the ability to acquire L_2 for T C Mits has to be strictly either zero or one. Perhaps like many other attributes, the ability to use computer literacy for solving personal allocation problems too would be normally distributed among the persons in the street. Investment in the spread of L_2 then must make serious and imaginative attempts to undo the inequality imposed by the two adverse possibilities referred to above. Otherwise the consequences could be serious not only for T C Mits but also for the segmented high technology society itself.

Could the person in the street legitimately have any further expectation in this respect from high-technology? Would T C Mits be justified in looking beyond even L_2? This might appear at first to be a largely hypothetical question, seeing that L_2 itself will not be easily universalised, all other conditions remaining the same. But it may turn out to be really not so hypothetical after all if the promise of high technology is to be given credence. It may be useful to define a third order literacy concept L_3 as the ability to acquire scientific education (even L_2) *aided* by computers. This ability conceivably might be universalised more economically than L_2 directly.

For some years now computers have been used to teach computer *procedure*, or what computers are all about through activity associated with the programming language LOGO. This is in contrast to the standard teaching of programming in languages like BASIC or FORTRAN. Can such approach be extended beyond teaching the logic of computers to the teaching of L_2 type literacy to people who will not necessarily have direct access to personal computers? The apparent success of LOGO like approaches with programmes that try to diagnose the student's conceptual mistakes and can interact with the student to correct such mistakes makes one hope that what has been possible in specific instances with subjects ranging from arithmetic and electronics to writing may also be possible eventually more generally and with also the types of literacy that T C Mits might need in the modern age.

To what extent computer aided instruction or CAI could mitigate the two obstacles faced by T C Mits in acquiring L_2—the right hemisphere left hemisphere divide and the science mathematics block—can only be a matter of conjecture. But the belief that the right left polarity in individuals is at most incomplete, and that the science mathematics bump is a mainly cultural inhibition that can be removed, may not be mere liberal mythology. By what efforts T C Mits can perhaps be weaned away from a habitual predisposition of the mind or be helped to overcome an actual mental block by the use of CAI are still unanswered questions. There can be little doubt, however, that the norms of democracy demand that economics of the new literacy follow up inquiries in these directions. The costs and benefits of investments in alternative ways of producing high technology literacy among the people could be the main basis for such inquiries.

It may be true as Simon says, that "We have only a slight understanding of the magnitude and origins of individual differences in the ability to assimilate scientific and mathematical skills and knowledge. And we have less understanding of the methods that will be effective in dealing with the illiteracy of those who evidence, or claim or even boast of incorrigibility. Nevertheless, from the brief discussion so far at least the following assertions appear to be tenable even at our present state of ignorance.

Four Assertions

First investment in literacy is partly the learner's own investment in the individual's private domain in time and effort and also money. Which level or order of scientific literacy the person in the street would seek—only I_1 or L_2 or I_3 would partly depend on the individual's predilections or preferences given resources including time and ability and money. It would obviously be useful to analyse these preferences not only in terms of the improved earning potentials of learning—the rates of returns is commonly understood—but also in terms of the needs felt by T C Mits who has to live in a high technology society.

Second because of the complementarity of investments in education in the two domains the actual investments the learner will make in the individual domain would depend not only on individual preferences but also on the range of opportunities provided to the learner by the investments in education made in the public or institutional domain. And therefore it would depend also on the information network that operates in society effectively determining the average learner's access to the available opportunities.

Third coming to the different types of literacy a direct approach to I_1 that would help T C Mits to acquire the ability to use informatics in making everyday decisions is bound to be very costly. It would be so costly in fact as to be beyond the reach of all but the wealthiest societies. If the idea of L_2 is to stimulate learning by doing then access to personal computers is a *sine qua non*. Computer literacy of this kind is therefore, unlikely to be capable of being universalised in a poor country or in an unequal society.

Fourth the realisation that I_2 is unlikely to be universalised directly under any realistic cost calculations in the foreseeable future does not nevertheless mean that the call for universalisation of scientific literacy for the new high-technology age is itself necessarily unrealistic. There is an indirect approach too, and herein comes the concept of a third kind of literacy L_3. L_3 is the ability of the individual to learn science aided by computers that do the job of teachers. The emphasis here is on old fashioned learning of concepts—in science, in mathematics, in philosophy, in language—from computers and not on how to operate and programme computers.

I_3 many would say is a higher ability than I_2. Yet the investment required in the learner's own domain in terms of money—not in terms of effort—would be less for I_3 than for I_2 if the learner has less need for using personal computers while acquiring I_3 compared to acquiring I_2.

One must bear in mind however that here we are talking of the relative investment costs of I_2 and I_3 in the learner's domain. The complementary investments that would be called for in the institutional domain for providing the instruction have of course, to be added in order to get the complete picture.

Yet there is a reason why the comparison of investments in the individual domain for I_2 and I_3 should be separately made. It is simply that these investments would depend on personal incomes and therefore on the *distribution* of the national income. Moreover the individual investments will also depend on individual preferences. In contrast investments on literacy (I_1 or I_3) in the institutional or public domain would depend on the *aggregate* of the real national income and given this on society's collective choice decisions on goals of literacy rather than on the distribution of the national income or directly on individual preference.

Conclusion

I may sum up this brief essay by underlining once again the two concurrent themes that it tries to propound. First literacy being the entry point of learning to live can be defined in different ways for different levels of participation in the modern high technology society. I have suggested that it may be economically more sensible and socially more acceptable to go for I_3 the literacy for learning science (and other things) through computer aided instruction than to go for the more flashy I_2 the literacy for running personal computers.

The second theme is one that I have often pursued elsewhere too as I have mentioned above. It is to stress the importance of domain distinction in analysing investments in education. To analyse investments in literacy the crucial task from the economist's point of view is to distinguish between the different types of scientific literacy relevant for our age (and for a given type of literacy distinguish the different programmes of action) in terms of costs associated with them. These costs (in time effort and money) have to be seen *separately* as investments in the learner's domain and investments in the public domain.

The two themes together convey a single message. Investment in literacy as an omnibus concept and an undifferentiated target in society is operationally not a very meaningful construct that without the necessary differentiation there is the great danger of our disregarding either the needs of the times or the needs of the people living in an unequal society. Neither scientific and technological progress, nor the prospect of economic progress based on distributive justice can be disregarded.

That we, in this country nevertheless sometimes prefer to stick to the omnibus concepts and prefer not to distinguish between the small print of alternative social targets may be partly because we are unaware of the dangers to societal survival that lurk ahead. Our simple minded enthusiasm for literacy by the twenty first century is often tragically reminiscent of the equally simple ardour of the crew that had set sail for adventure in *The Hunting of the Snark* (Lewis Carroll 1876). They were happy with their captain because, disdaining the hard to read charts that were 'such shapes, with their islands and capes' he had bought them what he thought was the best map "a perfect and absolute blank!" And then

> This was charming, no doubt but they shortly found out
> That the Captain they trusted so well
> Had only one notion for crossing the ocean
> And that was to tingle his bell!

This paper has perhaps tried to suggest only the obvious that economists have the onerous task of looking for the islands and capes on the uncharted sea of twenty first century scientific literacy rather than of ever listening for the captain's tingling of the bell!

[Written for *Essays in Honour of Bhabatosh Datta* (to be published).]

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BALANCE SHEET (ABRIDGED) AS AT 31ST MARCH, 1989

(Rupees in lakhs)

31 12 1987	LIABILITIES	31-03-1989	31 12 1987	ASSETS	31-03-1989
[illegible]	Capital	299 93	602743	Cash in hand and with RBI & SBI	11,172 72
[illegible]	Reserve Fund and Other Reserves	266 76	291 41	Balance with other Banks	307 52
49 [illegible]	Deposit and Other Accounts	57,858 37	NIL	Money at Call and Short Notice	NIL
[illegible]	Borrowing from other Banking Companies Agent etc	2,364 61	16 271 2[illegible]	Investments	18,620 54
[illegible]	Bill Payable	792 94	29 406 42	Advances	30 301 66
[illegible]	Bill for collection as per Contra	1,703 14	1 968 30	Bill Receivable as per Contra	1,703 14
[illegible]	Other Liabilities	1,682 12	2 182 48	Constituent Liabilities as per Contra	2,527 54
[illegible]	Acceptances Endorsement and Other obligations as per Contra	2,527 54	251 17	Premises	250 09
65 13	Profit for the year (including carried forward profit)	83 63	221 75	Furniture & Fixtures	230 13
			2 507 49	Other Assets	2,450 28
			11 91	Non Banking Assets Acquired in satisfaction of claims	15 42
59 13961	TOTAL	67,579 04	59 13961	TOTAL	67,579 04

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1ST JANUARY, 1988 TO 31 ST MARCH, 1989

(Rupees in lakhs)

31 12 1987	EXPENDITURE	31-03-1989	31 12 1987	INCOME	31-03-1989
350363	Interest paid on Deposits Borrowings etc	5,217 12	5 205 63	Interest and Discount	7,257 94
161593	Salaries & Allowances	2,046 16	281 41	Commission Exchange & Brokerage	334 16
57504	Operational Expenditure	649 73	001	Rents	NIL
65 11	Balance of Profit	83 50	49	Net Profit on sale of investments etc	67 71
			267 70	Other Receipts	336 70
5 759 72	TOTAL	7,996 51	5 759 72	TOTAL	7,996 51

1988 89 Highlights

- Over 90 000 NRI customers
- 32% growth in deposits (MARCH TO MARCH)
- 23% growth in profits
- Major thrust into Merchant Banking
- 31 issues promoted
- Investors Forum chapters launched all over Kerala
- 7 new branches opened

M P K Nair
CHAIRMAN

Mudra C FBL 128

Perestroika and Soviet Economic Relations with Developing Countries

India, a Test Case

K G Gidadhubli

Soviet economic relations with developing countries in the era of perestroika will be determined by a host of factors—the troubled economic situation in the USSR and in the east bloc in general the altered global geopolitics induced by improved relations between east and west Europe and between China and Russia and the economic situation in the developing countries

This paper examines the changing content of Indo Soviet economic relations and argues that these changes provide a clue to the possible course of Soviet economic relations with the developing world

MIKHAIL GORBACHEV's policy of perestroika is aimed at bringing about a revolutionary politico economic restructuring not only of the domestic sphere of the USSR but also of its relations outside the country Several policy decisions which have been announced and steps taken so far with regard to domestic and foreign economic spheres have great significance and seem to suggest the seriousness of the approach to restructuring

It is important to understand what the impact of the policy of perestroika on Soviet economic relations with the developing countries has been and what the likely impact in the next say five to seven years will be But the issue is not that simple since Soviet relations with the developing countries cannot be considered in isolation more so in the present context There are many important factors which have a bearing on this subject Among them are

a) The difficult domestic economic situation in the USSR reflected in budgetary deficit of 45 50 billion roubles inflationary pressure and shortages of a wide range of commodities

b) Economic difficulties in the countries of the socialist system (many of which are passing through reforms and restructuring of varying degrees) and their impact on intra Soviet bloc relations

c) Improvement in east west relations resulting from Soviet peace initiatives and their likely repercussions on the world political situation

d) Improvement in Sino Soviet Political and economic relations and their impact on Soviet third world relations

These factors have relevance to the on going Soviet politico economic relations with developing countries of the third world

The Soviet Union has close political and economic relations with India despite differences in the political and economic systems of the two countries and yet there are many elements in Indo Soviet relations which are common to different groups of countries—bilateralism non convertible currency trade, large scale economic assistance, substantial imports of non traditional and hi tech proudcts from India and so on Hence India offers a test case for Gorbachev in restructuring economic relations with developing countries

An effort has been made in the first section of this paper to review major policy decisions concerning Soviet foreign economic relations as also new forms and trends in economic relations with developing countries This is followed by an analysis in the second section of the recent developments in the Soviet economic relations with India and a few major groups of developing countries Major conclusions are drawn in the third section

I

Policy Decisions and New Forms of Economic Co operation

Several policy decisions have been made during the last couple of years by the central committee of the Communist Party of the Soviet Union (CC of CPSU) and the Soviet government proposing radical changes in the organisation and functioning of foreign trade and economic relations of the USSR A great impetus was given in this regard by the decision of August 19 1986 on Measures to Improve the Administration of Foreign Economic Relations In place of the monopoly of the ministry of foreign trade initially 21 ministries and 70 production associations and enterprises were permitted to deal directly with foreign countries on the basis of the *khozrachyot* (cost accounting) principle The state foreign economic committee was created under the council of ministers for co ordinating and supervising foreign economic activities of ministries banks amalgamations and so on The need for this policy decision was the realisation that the USSR had reached the limits for export of raw materials and that the country was losing its competitiveness in the export of manufactured goods, particularly of engineering products (Shamrai Yu, *Foreign Trade* 4 1987) Presumably not being content with the progress of August 1986 policy measure in June 1987 the CC of the CPSU and the council of the ministers of the USSR adopted a decision on 'The Question of Basic Restructuring of Management and Perfecting the Administration of Foreign Economic Relations' Through this policy the role of trade and industrial chambers of the USSR and of union republics was increased There was greater emphasis on new forms of economic co-operation with the chambers being required to diversify their functions to include consultancy marketing, engineering services, sale of Soviet patents licences, etc.

During 1988 the tempo of declaration of policy decisions was kept up to invigorate foreign trade sector of the USSR A law was passed in May 1988 on Co-operatives in the USSR under which production co-operatives were permitted to participate in foreign trade and economic relations on the basis of their own hard currency earnings Similarly the 'Agroprom Service' was set up in May 1988 by the association of organisations under the Agro Industrial Complex (APK) of the USSR for promoting economic co operation with foreign countries in the field of production and processing of agricultural products In June 1988 the council of ministers approved the regulation (Ustav) on Bank of Foreign Economic Activities of USSR In 1988 several republics namely Estonia Lithuania Kazakhstan etc set up their own foreign trade and economic organisations following the decision in September 1988 to promote republics to directly enter foreign markets on the khozrachyot principle

On December 2 1988 the council of ministers of the USSR took yet another bold decision on Future Development of Foreign Economic Activities of State Co operative and other Social Enterprises Amalgamations and Organisations This measure gives the right to every enterprise and production association which has the potential to compete in foreign markets and to enter into foreign trade and economic activity on a self financing basis They are permitted to form consortia with Soviet and foreign partners to carry out trade and other economic activities

From the above account it is evident that the Soviet leaders have adopted the policy of greater liberalisation with the objective of giving a boost to the growth of foreign trade of the country

The pronouncement of the series of policy decisions during the last two to three years

was largely due to a piecemeal approach to the process of decentralisation of foreign trade activities Moreover the overall emphasis has been on export promotion as a step towards greater participation in the world trade Considering the fact that socialist countries and developed capitalist countries account for about 80 90 per cent of total Soviet trade turnover much of the Soviet effort at restructuring would first and foremost be directed towards these groups of countries

The impact of new policy measures on Soviet foreign trade activities has so far been marginal partly due to the time required for new organisational and institutional changes to become really effective But in the next two to three years some positive improvement in the direction of decentralisation of foreign trade may be expected provided there is substantial qualitative growth in the Soviet domestic economy and if the constraints of bureaucracy and departmentalism are overcome

Despite the frequently declared Soviet intention of promoting trade with developing countries on a priority basis the share of developing countries in total Soviet trade turnover is not significant and has declined from 12 7 per cent in 1980 to 12 16 per cent in 1985 and further down to 11 25 per cent in 1987 In the first half of 1988 the share of developing countries continued to decline to 10 6 per cent of total Soviet trade turnover Between 1985 and 1987 there was reduction in trade turnover by 2 722 million roubles with developing countries Some Soviet specialists argue that this was due to the overall decline in Soviet foreign trade caused partly by the difficulties in the Soviet economic situation and the economic situations in many developing countries themselves This however is not very convincing Soviet imports from developing countries declined by about 38 per cent between 1985 and 1987 (by 2 077 million roubles – see table) and the level of imports in 1987 was lower than that in 1980 Reduction in imports of such a large magnitude when the USSR had accumulated and has consistently been maintaining large surplus on trade account with developing countries is possibly an indication that imports from developing countries are not on the priority list of the USSR Reduction in imports of agricultural consumer products such as tea coffee detergents textiles ready made garments from developing countries when the USSR was facing heavy shortage of these items in 1987 and 1988 was not justifiable Thus perestroika has not so far made any positive impact on Soviet trade with developing countries

The Soviet leaders have been particularly emphasising the scope for joint ventures Hence a significant policy decision concerning Soviet foreign economic relations was taken by the council of ministers of the USSR on January 13 1987 on The procedure of setting up and operating in Soviet territory of joint ventures involving Soviet organisations and firms of capitalist and developing countries' The chief motive for this decision was to promote trade, economic, scientific and technological co operation with capitalist and developing countries, on a stable and mutually advantageous basis This decree is mainly concerned with the setting up of joint ventures in the USSR and hence the scope for developing countries to avail of this opportunity will be limited Moreover, even for developed capitalist countries the decree was not sufficiently attractive due to limitations in the sharing of initial capital, repatriations of profit etc Hence through a decree of September 17 1987 by the council of ministers on Extra measures to Improve Foreign Economic Activity in the New Economic Framework many of the limitation were sought to be removed and provision made for the Soviet involvement in joint ventures to be set up in third world countries The Soviet organisations are now able to substantial expand co operation with the firms of capitalist and developing countries in science technology trade finance services tourism and advertising In other words the Soviet policy makers have given emphasis for Soviet organisations to actively participate in the services sector of developing countries where their share is negligible so far

Up to January 1 1989 191 joint venture enterprises were registered in the USSR out of which there were only 8 with developing countries which is an indication of the fact that developing countries by virtue of their weak financial and technological position may have a meagre role to play in the joint venture activities in the USSR Moreover the progress with regard to the registered joint enterprises is not very satisfactory

In some respects even before Gorbachev's policy of perestroika many unorthodox forms of co operation in the economic sphere had been promoted in the USSR since the early 1980s These included technical assistance processing customers raw materials buyback deals turnkey contracts production sharing assistance in operating enterprises ventures involving three partners and so on Among these turnkey contracts have been quite widespread in the 1980s As per Soviet official sources by the mid 1980s the USSR had completed 150 turnkey projects in 18 developing countries including Algeria Morocco Mali Ethiopia Afghanistan Libya Nigeria Angola Yemen Mauritania In 1985 they constituted 47 per cent of overall Soviet assistance to developing countries as against 4 per cent in 1970 This form of economic relations has gathered further strength under the new conditions of perestroika In early 1986 over 120 turnkey projects were under construction which are to be completed by 1990

Buyback deals are playing an increasing role in Soviet economic ties These deals are accomplished in the framework of overall export import operations taking into account the production financial and commercial interests of the partners At present the Soviet Union has over 60 buyback deals with developing countries

The Soviet Union is making slow but steady progress in establishing foreign economic relations involving third country participation For instance, a joint enterprise has been set up by Gosagroprom of RSFSR along with the Swedish firm Tetrapack and a Brazilian firm Suko Citriko Kurtale for manufacturing apple juice in the USSR and obtaining the concentrate of sweet lemons from Brazil Similarly the Soviet firm Iexprom export and the Brazilian firm Norberto Olebrecht are jointly building a power station at Kopanda in Angola [*Foreign Trade* 1 1988 pp 15 16]

In the engineering sector the Soviet firm Machinpribor and the Brazilian firm Interir have joint trading activity for the supply of machinery and equipment to Argentina Similarly the Soviet Union has set up a firm ADOKS jointly with Argentina for the sale of Soviet textile machinery and spare parts in that country and in other countries

In the first half of 1980s the USSR and western firms from about 25 capitalist countries participated in building projects in Algeria Argentina Vietnam Iran Iraq Pakistan Greece Ethiopia and so on According to UNCTAD secretariat in the first half of 1980s, 300 projects were built and are being constructed in third countries by joint participation of socialist and western countries [Foreign Trade 1 1988] Most of these projects are in developing countries although there are some in Greece and Finland Soviet specialists expect that perestroika will offer new third country market possibilities for the USSR on the basis of compensation

Since the last decade the USSR has established several joint stock companies in many developing countries for the purpose of handling shipping and storage of foreign goods—Kateko (1976) in Cameroon, Marim export in Morocco Sinsov in Singapore Thasas in Thailand, Filsov in Philippines and so on This form of economic activity in foreign countries has gained strength since the mid 1980s The USSR has set up several joint stock companies—Aftorg (1987) Aftento (1987) Aspac (1988) in Afghanistan and Indsotra (1988) in India

Similarly, Sovrybflot a company sponsored by the Soviet ministry of fisheries, has set up several joint fishing companies in the maritime economic zones of developing countries such as Iran, Singapore Mozambique Peru and so on The decrees of January 1987 and September 1987 are likely to boost these types of economic activities in developing countries

With some Latin American countries the USSR has established a new form of economic relations involving compensation hiring operations For instance, Soviet ships are given on hire to Brazil, Mexico etc, for which the compensation is paid in the form of coffee, cables, etc, [Ishenko I and Khazarov V, *Foreign Trade* 8/1988] The USSR has a somewhat similar arrangement with India in the field of civil aviation

In the recent past there has been a marked shift in the Soviet approach in providing economic assistance to developing countries. In the 1960s and 1970s their declared policy was to assist the development of such branches of industries as were intended to make them self reliant and self sufficient in their economic development. Thus the Soviet Union helped many countries in developing power, energy, metallurgy, oil exploration and exploitation and so on, which formed the core sectors of developing countries. Soviet economic assistance is now gradually shifting to the promotion of export oriented areas in the developing countries, such as mining of valuable minerals for exports, processing of agricultural products for exports and so on. A classic example is that of Guinea, where bauxite deposits are mined with Soviet technical and economic assistance so that 50-90 per cent of bauxite is exported to the USSR through an agreement valid for 30 years. Under the present policy of perestroika this shift may get accentuated.

As justification for this shift it is observed that, considering the third world's growing indebtedness and lack of export avenues to repay debts, it would be expedient for the Soviet assistance programme to third world countries to lay greater stress on industries producing exportable goods in order to enable them to repay Soviet loans. Hence this shift serves the economic interest of the Soviet Union.

II

Indo-Soviet Economic Relations

Gorbachev's leadership has brought about intense activity in Indo-Soviet economic relations, partly contributed to by mutual visits by the leadership of the two countries followed by visits of official delegations on both the sides, as well as visits by business groups. The top leadership of both the countries have laid the basis for wide scale relationship through the agreement of June 22, 1985 about basic directions of economic, trade, scientific, technical co-operation between the USSR and India for the period up to 2000.

The offer of two huge rouble credits, comprising of one billion roubles during the visit of Rajiv Gandhi to the USSR in 1985 and of 1.5 billion roubles during the visit of Gorbachev to India in November 1986, reflected the interest of the USSR in intensifying economic ties with India, which has for over a decade been occupying a premier place in Soviet economic relations with developing countries. The second credit is qualitatively different in the sense that it has a component of rupee resources made available to supplement the mobilisation of financial resources on the Indian side for the biggest ever hydro project at Tehri with a project capacity of 2,400 MKV. The Soviet Union has continued to extend technical and economic assistance in similar traditional areas of energy, mining, metallurgy, etc. Mention may be made of projects at Kahalgaon Thermal power of 840 MKV capacity, at Vindhyachal Thermal Power Station, the metallurgical plant at Visakhapatnam, the expansion of the metallurgical plants at Bokaro and Bhilai, the geological prospecting for hydrocarbons in north Cambay and Cauvery basins, the oil processing plant at Karnal with a capacity of 6 million ton per year and transportation to Chaksu-Karnal over a distance of 345 KM, etc.

This offer of two huge credits to India, despite domestic resource constraints, has partly been necessitated by the Soviet interest in increasing the export of machinery and equipment in the traditional spheres of India's basic industries, in which the Soviet Union has been well established. The credit offer also enables the Soviet Union to give a boost to sagging exports to India caused by declining oil price in 1986-87.

Under perestroika, in addition to the above traditional areas of economic co-operation, emphasis is given to new fields and approaches to economic interaction. Among the new trends in Indo-Soviet economic relations is the proposal for joint production in India, in respect of mobile excavators, turbo and hydro generators, drilling equipment, mining equipment, pumps, coking equipment, conveyor belts for the coal industry, and so on. For this purpose, the USSR is to initially supply machinery and equipment to India, and jointly produced engineering goods are to be partly exported back to the USSR [Khotsialov, *Foreign Trade*, 3, 1988]. So far, there is some progress in the joint production of coking equipment in the Durgapur heavy engineering plant in India and heavy duty trucks of 110t capacity. However, bureaucratic delays in negotiations, technicalities on either side, and the problem of marketing of manufactured goods and the like have detracted from the success of such undertakings.

As regards joint ventures, although several proposals are being considered by both sides for processing of leather, production of pesticides, herbicides, pigments, etc., what has materialised so far is the setting up of an Indian restaurant in Moscow and the construction of a hotel in Tashkent. A joint unit for transport and shipping in India has been established to facilitate shipping of goods between the two countries. Proposals are being made for the construction of 10 more hotels by 1990 in the USSR at Samarkand, Bukhara, etc. In other words, joint ventures are yet to take roots in Indo-Soviet economic ties.

One area in which the USSR has shown very keen interest to jointly co-operate with India is in the field of science and research in priority areas such as bio-technology, laser technology, immunology, powder metallurgy, computer and electronics, space research, etc. In this regard, the visit of academician G I Marchuk to India during the visit of Mikhail Gorbachev in 1986 was significant. A further evidence of this is the creation of a sectoral group for science and technology under Marchuk in the Soviet-Indian Sub Committee for promoting bilateral relations between the two countries.

According to Soviet sources during the period 1984-87 joint research has been undertaken in 22 branches of applied and fundamental science and technology—solar energy, protection of metal against corrosion, powder metallurgy, meteorology, high temperature physics, oceanography and so on. 112 topics were considered in which 66 Soviet and 48 Indian research institutes and laboratories have participated [Foreign Trade, 1, 1988]. In agriculture joint research is proposed in the selection of seeds, development of high yielding variety of rice, soil study, breeding of fur animals and so on. However, results of joint research have been obtained in a few fields only such as solar energy and meteorology. Moreover, there are hardly any publications of joint research work either in India or in USSR. Approach to joint research is rather formal and bureaucratic, and the outcome of research is insignificant as compared to the expenditure made by both the countries.

Indo-Soviet trade turnover in 1987 was 2,178.5 million roubles which was about 900 million roubles lower than in 1985 and 13 million roubles lower than in 1986. India's share in total Soviet trade has declined from 2.17 per cent in 1985 to 1.69 per cent in 1987 and further down to 1.66 per cent during January-June 1988. It is significant that two-way trade has declined despite intense efforts to boost trade in this period. Overall Indo-Soviet trade turnover exceeded Rs 50 thousand crore in 1988 as a result of intensive efforts in the second half of the year.

This reduction in trade has partly been caused by the decline in the price of oil (from over $ 30 per barrel in 1985 to $ 12.15 per barrel in 1987) which constituted about two-thirds the value of Soviet exports to India. The impact of oil price decline was even more devastating for the Soviets in 1986 resulting in a 40 per cent reduction in Soviet exports to India. The oil factor has brought to the surface many issues of Indo-Soviet trade and equally significant are issues raised by perestroika.

The basis of Indo-Soviet trade, namely, bilateralism and rupee trade, which served the interests of both the partners, seems to be losing its relevance under changing condition.

In the opinion of some Soviet specialists bilateralism is a primitive form of foreign trade practice which served its purpose under specific international conditions of 1950s and 1960. Under present circumstances bilateralism and rupee trade are not conducive for rational growth of economic relations between the two countries. A similar opinion persists even more strongly among Polish economists concerning Polish-Indian bilateral trade relations, and it may not be unlikely that with improvement in the domestic economy Poland may discontinue rupee trade based on bilateralism in the next three to five years. This has some relevance for Soviet-Indian trade as well.

However Soviet policy makers and a smaller section of academic consider that rupee trade continue to serve the interest of both the countries and this opinion is shared by a section of the policy makers in India as well The strong reason for India is that rupee trade ensures availability of substantial quantities of oil (four to five million tons) and oil products (two to three million tons) and other items such as non ferrous minerals new raw fertilisers etc Similarly for the USSR rupee trade is a guarantee for steady and assured supply of tea coffee pepper cashew and a wide range of consumer goods The last few years some of the high tech items such as computers xerox machines etc are being imported from India which only two years ago were imported with difficult on hard currency payment In other words the Soviets count on the large Indian market from where they can import a wide range of traditional and non traditional goods including engineering items either manufactured in India or imported by India from developed capitalist countries

Concerning quantitative aspects as decided during the visit of Gorbachev to India in 1986 Indo Soviet trade is scheduled to increase by two and a half times in five to seven years which means that by 1992 two way trade is to reach the level of Rs 1 00 000 crore According to Soviet specialists this is not an unrealistic target if new forms of co operation including joint ventures production co operation etc play an important role Moreover while continuing to retain the rupee trade arrangement with India the Soviet policy makers propose to change the structure of exports to India which at present is heavily weighted (66 70 per cent) in favour of oil and oil products In fact the Indo Soviet trade structure resembles the north south pattern with the USSR finding itself in the role of the south Hence continuation of this situation will not serve the interest of the USSR Hence their efforts are oriented to changing the structure in favour of machinery and equipment directed not only at state sector projects but also at private sector companies The latter however is not going to be an easy task The Soviet trading organisations have to convince private sector firms about the high quality of Soviet machinery, comparable to that of developed capitalist countries show readiness to supply spare parts ensure after sales service and so on In many of these aspects Soviet organisations have to go a long way and they lack aggressive sales man ship being so far confined to dealing with public sector companies in a bureaucratic fashion It is to be seen how far under perestroika Soviet firms and organisations change their style of functioning to be competitive in the Indian private sector Hence in many respects India is a testcase for Soviet exports of engineering products to the private sector in developing countries on a purely commercial basis

In evaluating the prospects of Indo Soviet trade it is also necessary to consider the improving Sino Soviet relations as well as Soviet relations with Pakistan The China factor is particularly important since China can offer many of the commodities that India offers to the Soviet Union since both the countries possess comparable resource potentialities In turn for the USSR both India and China offer large markets for engineering goods and prospects for wide ranging economic ties In fact Soviet trade with China has increased in the last few years although often erratically

The Soviet response to the China factor in Indo Soviet economic relations is not unanimous true to the spirit of perestroika In the opinion of Soviet policy makers and a section of academics an improvement in Sino Soviet relations will have no adverse effect on Indo Soviet trade because the latter has grown steadily over the last couple of decades and has been found to be advantageous for the USSR and hence will not be given up It is also opined rather unconvincingly that the Soviet market for goods such as tea tobacco textile goods is large enough to absorb supplies from both China and India On the other hand some academics feel that though not immediately but possibly after four to five years the USSR may get an opportunity to choose the source of supply between India and China and that may create an atmosphere of healthy competition which will be advantageous for the USSR It is also argued that improved Sino Soviet and Sino Indian political relations may lead to better possibilities of economic interaction for the benefit of all the three countries concerned While this may be a theoretical possibility, apprehension in Indian circles about a likely adverse effect on Indo Soviet trade, due to improved Sino Soviet relations may not be unrealistic The same reasoning may hold good though to a lesser degree about improving Soviet Pakistan relations so far as India is concerned

What is the likely impact of the policy of perestroika on Soviet economic relations with developing countries of socialist orientation (CSO)?

From various writings in the Soviet press and views expressed by Soviet specialists on developing countries it is clear that there will be major restructuring in Soviet economic relations with the CSO This is partly due to a serious reconsideration of the concepts and policies of socialist development during the last four years in the Soviet Union itself Moreover in certain cases the expectations of the Soviet leaders about economic development in CSO were not satisfied leading to a realisation of the mistakes of the Soviet policy towards CSO In a few cases the Soviet Union had supported military or dictatorial regimes with no real possibility of socialist development due to the absence of political social and economic basis for a socialist movement Hence the Soviet policy makers and specialists will be cautious in accepting developments in a third world country as amounting to socialist orientation So far as the present group of CSO is concerned ideology is to play a less important role in Soviet policy towards these countries This was made clear by Gorbachev while addressing intellectuals in Moscow on January 6 1989 Consequently economic factors will be playing an important role in Soviet policy towards CSO

In 1985 Soviet trade with CSO constituted a small part of their total trade For instance with six CSO countries (Angola Ethiopia Afghanistan Kampuchea etc) Soviet trade turnover was just about 1 2 per cent which declined to 1 15 per cent in 1987 In terms of Soviet trade with developing countries the CSO account for about one fifth the share or even less Hence the observation made by Marie Lavigne (1987) that CSO accounted for over half of Soviet exports to developing countries does not seem to be valid In her calculations the inclusion of countries such as Iraq Syria Congo Seychelles in the CSO group is not convincing

The Soviet Union has essentially been an exporter of defence items, machinery and other engineering products, while imports from CSO are not large and consist mainly of minerals (e g bauxite from Guinea) fuels (e g natural gas from Afghanistan) and so on and a few agricultural products With the improvement in Soviet American relations and Gorbachev s policy of dialogue as a means of solving international issues defence exports by the USSR to CSO will decline which will bring down total trade with CSO In the immediate future the

TABLE SOVIET TRADE WITH DEVELOPING COUNTRIES

	USSR			Developing Countries		
	Total	Imports	Exports	Total	Imports	Exports
1980	94097	44463	44635	11961	5092	6870
Percentage	100	100	100	12 7	11 5	13 8
1985	141565	69102	72464	17225	7624	9601
Percentage	100	100	100	12 16	11 0	13 2
1987	12882	60741	68142	14503	4747	9757
Percentage	100	100	100	11 25	7 8	14 3
1988 (January June)	66360	33367	32993	7061	2497	4582
Percentage	100	100	100	10 6	7 4	13 9

Source Foreign Trade of USSR Statistical Year Book Moscow 1980 1985 1987 and *Foreign Trade Journal*

Soviet Union may not expect any substantial increase in imports from CSO to sustain overall trade level

Since the coming to power of Gorbachev, newly industrialising countries (NIC) of the third world are receiving greater attention, although so far their share in Soviet trade turnover has been marginal The Soviet leadership has realised the potentialities of these countries as exporters of a wide range of manufactured goods including hi tech products which are, otherwise, imported by the USSR mainly from the developed capitalist countries with great difficulty The Soviet policy makers and specialists are aware of the fact that rapid economic progress of NIC and particularly of modern branches of industries has largely been the contribution of developed capitalist countries and their multi national corporations (MNC) and that the USSR may stand to gain by developing trade and economic relations with these countries In the opinion of some Soviet specialists NICs are not completely free from the control of MNCs due to which trade and economic relations with the USSR are not at the optimum level Improving east west relations may facilitate economic relations between the USSR and NICs

Gorbachev s displayed interest towards the Pacific and east Asian countries through a series of high level visits the latest being that of Shevardnadze in the end of December 1988 may boost economic ties between the USSR and South Korea Philippines Singapore and so on Besides increased trade with these countries there are possibilities of their participation in the economic development of the Soviet Far East through joint ventures production co operation etc Similarly as already pointed out Soviet trade and economic ties with Brazil and Argentina are gradually taking a qualitatively new turn

The Soviet Union has also realised the potentialities of these countries in scientific and industrial research Hence the USSR has established long term co operation with enterprises and scientific institutes in Brazil which is the first of its type with a Latin American country creating wide possibilities of benefits for both the partners [*Foreign Trade 1/1988*]

III
Conclusion

Under the leadership of Gorbache the Soviet foreign economic policy has undergone a major restructuring from the past support to new international economic order (NIEO) and the call for international economic security at XXVII congress of CPSU to the new economic thinking enunciated by him in the UN general assembly in December 1988 His latest policy initiative is based on co-operation and co-ordination of efforts with developed capitalist countries in solving the economic problems of third world countries and particularly of the least developed among them Gorbachev is in favour of going beyond the economic groupings of north south east west and has extended his country s readiness to reschedule and partly write off debts of some developing countries Gorbachev's new economic thinking is a reflection of his policy of perestroika of Soviet foreign economic relations

A series of policy decisions have been made though often in a piecemeal fashion in the last two to three years to enable the USSR to effectively participate in the world economy Qualitatively new conditions are being created to facilitate the realisation of this objective However the progress made so far is inadequate since some of the policy measures are on paper waiting for practical realisation Formalism bureaucratic approach to problems of the country and vested interests of different sections continue to offer bottleneck and resistance to the early and easy implementation of the policy of perestroika

So far as developing countries are concerned the Soviet trade and economic relations are likely to undergo major changes Despite domestic financial difficulties the Soviet Union will be required to provide economic assistance in order to sustain trade with developing countries New forms of economic co operation particularly joint venture and production co operations have not so far made any impact on the nature of economic relations with developing countries Considering constraints on the part of developing countries economically and technologically new forms of economic co operation may have limited significance in the near future The Soviet policy of economic assistance has shifted its emphasis in favour of development of export oriented activities in developing countries as against the previous policy of assisting them in sectors which were to lead to self reliance self sufficiency etc The new shift in emphasis suits the economic interests of the Soviet Union in order to recover long term loans extended to developing countries from time to time

As regard Indo Soviet economic relations despite active exchange of visits at political and business levels and the offer of two huge credits two way trade declined between 1985 and 1987 primarily due to the sharp fall in oil prices The Soviet policy makers are keen to change the structure of Soviet exports to India in favour of machinery and equipment meant not only for the public sector but also for the private sector The latter however, is a difficult task requiring major improvement in the quality of Soviet engineering goods supported by aggressive salesmanship and an effective marketing strategy Improvement in Sino Soviet and Soviet Pakistan relations may affect Indo Soviet trade in the near future

Soviet policy towards countries with socialist orientation will be based more on economic consideration and interests rather than on ideology Soviet exports of defence equipment to countries with socialist orientation will decline with the improvement in Soviet American relations However, the USSR will not give up its political objectives in its relations with developing countries Newly industrialising countries will be receiving greater attention of the Soviet policy makers under perestroika

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Women, Emancipation and Equality

Asha Jayant
Indira Rothermund

MEERA KOSAMBI's paper on Pandita Ramabai's contribution to the women's cause (*EPW*, October 29, 1988) deals with the trends in the traditional position of women in Hindu culture under the subtitle 'patriarchy and the family'. She attempts to sketch the patriarchal social system in the context of the Indian society. In doing this she contends that the elements of patriarchy are derived from the ancient texts and hallowed by tradition and custom, and she uses the stereotype argument of feminist that Brahmanical texts emphasised the supremacy of men. In doing this she bases her entire statement on Dube's edition of *Visibility and Power* (Delhi 1986) without going into the original Brahmanical texts. On the basis of this book she comes to the conclusion that women were not only passive but inferior and needed to be strictly disciplined in order to curb their inherently evil and weak character.

In this discussion we cover only the major issue of the lack of appreciation of the limitation of her study with reference to the ancient so called Brahmanical texts to support her categorical statements such as 'marriage was central to women's life', 'is the only sacrament (samskara) that she was entitled to', or that 'the general view of women as chattel and sex object (with uncontrolled sexuality of their own) led to their seclusion to the home and exclusion from public life'. The author further stresses that the patriarchal ideology still dominates Indian society today. The fallacy in this argument is largely due to the fallacy in the framework itself.

Patriarchy, according to Webster's New World Dictionary, is 'male domination' and that is generally the interpretation which both the feminists and their opponents have been taking. The question then is (a) 'who is a male?' (b) what is the nature of 'domination'?

The underlying assumption is that before we whole heartedly revive the tradition with its values and details or reject it totally, it is necessary to look at the Indian tradition with an open mind and see whether it can offer us an alternative perspective on male female relationships for the modern situation.

An adequate assessment of Indian women's social status necessarily involves tracing the cultural background of Indian women through the ages especially the ancient Indian society as reflected in the earliest literature. As Radha Kamal Mukerji says, 'there is a widespread misconception regarding the true status of women in ancient Indian society'. He further asserts that 'there is a widespread ignorance about the original Sanskrit literature, both the Vedic and classical and of the Dharmashastras (law books) in which are to be found the laws, customs and traditions which define the true status of women in early times' [Tara Ali Baig (ed) *Women of India* 1958]. It is pointed out that in the Vedic period highest place was accorded to women in India: the Rig Veda hymns praised the virtues of women even superior to those of men; in the Samkhya philosophy (earlier than the period of the Buddha) the primordial one is conceived of as a harmony of Purusha (male) and Prakriti (female). Similarly Jaina texts highlight how the advent of Buddhism stimulated the idea of women having freedom to be educated to travel as missionaries and to become Buddhist nuns [Jaina *Women in Early Buddhist Literature* 1972]. However later Buddhist priests also spoke of women as an evil to be avoided by men, while the Buddhist Jatakas attribute such a vile nature to women.

The Hindu Dharmashastras (200 BC to 200 AD) especially the Manusmriti took up a rather ambiguous position and the interpreters of Manu's codes contributed to the gradual degradation in women's status. The situation is said to have become worse with the Muslim invasion in the eleventh century. India has experienced varied cultures and this has left a mark on the cultural habit and practices of the people of India. Therefore it is most essential to study the status of women in the earlier periods of Indian history if we want to speak of the status of women as based on the Indian traditional culture as it is often done in women's studies.

The concept of external male domination as we have seen is not explicitly mentioned in the earlier Indian tradition. It comes in as an interpretation of the Dharmashastra precepts and the practical system.

In the west the word domination stands for authority, autonomy and power as consistently maintained in western thought and life. In India when self control is the maxim, domination in Indian thought becomes internal or inward control over passions and desires. The control is meant to achieve inner strength, inward authority and internal autonomy that may eventually generate a tremendous power over the external world. This principle of self control is to regulate the social order by limitations for the legitimacy given to all desires. Emphasis is on 'achieving harmony, order and balance in the social structure instead of rights' [Kane, Dharmashastras 1930-1941].

Further, in Indian thought religion is a way of life and therefore *dharma* is secular in nature. The whole edifice of the social structure is based on *dharma* and all that the word stands for. It rules over *artha* (economic determinant) and *kama* (desire) in social living. In contrast, the pivot of western thought is economics (*artha*) which rules over desire and morality, religion being a private affair.

Therefore, in western thinking, man being externally oriented, controls the economic security of woman and she can establish her right, equality and dignity only by the fundamental principles extended to her by the secular law. What is inherent in the Indian tradition appears apparent in western culture. In Indian law protection and security were her inherent rights assuring her dignity as *dampati* or one unit in society and law gave credibility to the Upanishadic principles of inherent oneness in the apparent duality [Sachdeva *Hindu Undivided Family* 1987]. On the other hand, in the west the principle of duality operates at all levels and therefore rights become essential.

Meera Kosambi's article also suffers from certain conjectures about the Hindu joint family system without adequate textual support: this makes the conclusion that 'the normative pattern of role relationships within the patriarchal joint family as far as the women is concerned, is influenced by the twin factors of authority and emotions' highly suspect.

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family life in Hindu society was the Mitakshara or the laws of the undivided Hindu joint family It indicated unity of ownership, and joint possession (Manu smriti, edited by Shastri 1983) The *karta* or the manager has only limited ownership over ancestral property The male because of his external role developed the image of being the provider of the family initially through custom and usage and later under codified law This law seemed to grant him the privilege of ownership rights and religious ceremonies acquiring the image of agnatic domination primogeniture and agnatic succession and the role of protector was carried to the extreme (Sachdeva *Hindu Undivided Family* 198) This led to the decadence of the original view of the Hindu joint family which was based on the values of mutuality co operation and interdependence Therefore the justification of the new value of equality and liberty which forms the cornerstone of the feminist movement

Generally there is a notional belief among the feminist social scientists that the elements of patriarchy in Indian society are derived from the ancient sacred text and are hallowed by tradition and custom In view of this belief it is often emphasised that the supremacy of man the importance of a male child as a goal in life assigning to women a passive role etc are rooted in the Brahmanical texts It is further asserted that the patriarchal ideology still dominates Indian society today and women s life is therefore considered to be confined to the family These ideas need to be examined and evaluated by means of a study of the traditional texts referred to by the feminist scholars

Contrary to this the Brahmanical Dharmashastras (law books) consider male female relationship as representing complementarity and the social order has been formed on this principle of complementarity whose representation is through *dharma* Purusha the active male remains the same principle in *dharmic* law as the *karta* of the family *Karta* means a manager of the family His role is to offer protection, security balance and harmony among the members of the joint family What is non aggressive appears domineering in the interpretation of the word patriarchy in the western sense but that sense of domineering activity is absent in the male orientation of an Indian

Our comments are not intended to create an impression that the Hindu joint family system is satisfactory in all respects There is a lot of scope for an in depth study of the problem of women's position patriarchy and the family in Indian society

NOTICE

It is hereby notified for the information of the public that Ballarpur Industries Limited proposes to make an application to the Central Government [illegible] the Department of Company Affairs New Delhi under Sub Section [illegible] of Section [illegible] of the Monopolies and Restrictive Trade Practices Act 1969 for the approval to the establishment of a new undertaking Brief particulars of the proposal are as under

1 Name and Address of the applicant Ballarpur Industries Limited Regd Office P O Ballarpur Dist Chandrapur Maharashtra Head Office [illegible] House [illegible] New Delhi 110 001 2 Capital Structure [illegible] applicant [illegible] Authorised Rs 95 00 00 000 [illegible] 15 45 52 [illegible] Subscribed & Paid up Rs 15 [illegible] Management [illegible] applicant organisa [illegible] managing direc [illegible] The company is managed by the [illegible] control and direct [illegible] which is constituted [illegible] Mr [illegible] Thapar Chairman & Managing Director [illegible] Director Mr O P Malhotra Director [illegible] Director Mr H P Poddar Director [illegible] Director Mr Narottam Sahgal Director [illegible] Director Mr M N Thapar Director Mr V [illegible] Director [illegible] Indicate whether the proposal relates to [illegible] establishment of a new undertaking or a new unit/division [illegible] undertaking The Economic Development Corporation of Goa Daman & Diu Ltd (EDC) holds Letters of Intent [illegible] for setting up the project Ballarpur Industries Ltd (applicant company) proposes to co promote the project with EDC [illegible] of the new undertaking unit division State of Goa (a central [illegible] backward area Category A Special Region) 6 Capital Structure of the proposed undertaking Proposed Capital Structure [illegible] Lacs) a Authorised Share Capital 6000 b Issued and Subscribed 4500

7 In case the proposal relates to the production storage supply distribution marketing or control of any goods/articles indicate (i) Name of the goods/articles Nylon Industrial Yarn Nylon Tyre Cord Industrial Fabric (ii) Proposed licensed capacity 14 000 TPA of Nylon Industrial Yarn/Nylon Tyre Cord 11 900 TPA of Nylon Tyre Cord Fabric (iii) Estimated Annual Turnover Rs 182 crores approx 8 In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc Not Applicable 9 Cost of project Rs 180 crores approx 10 Scheme of finance indicating the amounts to be raised from each source Equity Share Capital Rs 4800 lacs Loans from Banks and Financial Institutions Rs 13200 lacs

Any person interested in the matter may make a representation to the Secretary Department of Company Affairs Government of India, Shastri Bhavan New Delhi within 14 days of publication of this notice intimating his views on the proposal and indicating nature of his interest there

FOR **BALLARPUR INDUSTRIES LIMITED**

Place New Delhi
Date 21 7 1989

Sd/
Virender Ganda
Secretary

BNP

BANQUE NATIONALE DE PARIS

(INCORPORATED IN FRANCE WITH LIMITED LIABILITY)

(INDIAN BRANCHES)

BALANCE SHEET AS AT 31ST MARCH 1989

31.1.1988 Rs	CAPITAL AND LIABILITIES	Rs P	Rs P
	1 Capital		
	Deposited with Reserve Bank of India under Section [illegible] of the Banking Regulation Act 1949 Government Securities of the face value Rs 1 000000 (market value Rs 151 000) in [illegible] investment in the opposite side		
[illegible]			Not Applicable
	Reserve Fund and Other Reserves		[illegible]
	3 Deposits and Other Accounts		
	Fixed Deposits		
[illegible]	(i) From Bank	[illegible]	
[illegible]	(ii) From Others	[illegible]	
[illegible]	Savings Bank Deposits	[illegible]	
	Current Accounts Contingency Accounts etc		
[illegible]	(i) From Bank	[illegible]	
[illegible]	(ii) From Others	[illegible]	
[illegible]			[illegible]
	4 Borrowings from other Banking Companies Agents etc		
[illegible]	(i) In India	[illegible]	
[illegible]	(ii) Outside India	[illegible]	
[illegible]			[illegible]
	PARTICULARS		
	(i) Secured by Corresponding advances to customers	[illegible]	
[illegible]	(ii) Unsecured	[illegible]	
[illegible]		[illegible]	
[illegible]	**5 Bills Payable**		[illegible]
	6 Bills for Collection being Bills Receivable as per Contra		
[illegible]	(i) Payable in India	[illegible]	
[illegible]	(ii) Payable outside India	[illegible]	
[illegible]			[illegible]
	7 Other Liabilities		
	(i) Branch adjustment (in India)	[illegible]	
	(ii) Head Office and Balances of Foreign Branches	[illegible]	
[illegible]	(iii) Income accounted in advance	[illegible]	
[illegible]			[illegible]
	8 Acceptances Endorsements and Other Obligations per Contra		
354 686 913			866 110 170 77
1 929 105 938	Carried Forward		3 347 206 008 50

31.1.1987 Rs	PROPERTY AND ASSETS	Rs P	Rs P
	1 Cash		
	In hand and with Reserve Bank of India and State Bank of India (including foreign currency notes)		
[illegible]			188 557 649 77
	2 Balances with Other Banks		
[illegible]	(i) In India	732 818 66	
[illegible]	(ii) Outside India	8 080 898 77	
[illegible]			8 813 717 43
	On Current Account		
[illegible]	(i) In India	732 818 66	
[illegible]	(ii) Outside India	8 080 898 77	
[illegible]		8 813 717 43	
	On Deposits		
	(i) In India		
	(ii) Outside India		—
	3 Money at Call and Short Notice		
	4 Investments		
	(At cost or market value whichever is lower)		
	(i) Securities of the Central and State Governments and Other Trustee Securities including Treasury Bills of the Central and State Governments	[illegible]	
[illegible]	(ii) Ordinary Shares (other than held in Head Office books)		
	Partly paid Unquoted		
[illegible]	Fully paid Quoted	559 300 00	
[illegible]	Fully paid Unquoted	410 000 00	
	(iii) Debentures or Bonds		
[illegible]	(iv) Other Investments UTI		
	(v) Gold		
[illegible]			483 714 448 01
	5 Advances		
	(Other than Bad and Doubtful Debts for which provision has been made to the satisfaction of the auditors)		
	(I) Loans Cash Credits Overdrafts etc		
[illegible]	(i) In India	736 675 146 62	
	(ii) Outside India		
[illegible]		736 675 146 62	
	(II) Bills Discounted and purchased (excluding Treasury Bills of the Central and State Governments)		
295 383 679	(i) Payable in India	419 639 243 62	
	(ii) Payable Outside India		
28 776 555		57 078 714 61	
324 160 234		476 717 958 23	
749 194 365	(Particulars of Advances as per attached Schedule)		1 213 393 104 85
1 265 904 500	Carried Forward		1 894 478 920 06

BANQUE NATIONALE DE PARIS

(INCORPORATED IN FRANCE WITH LIMITED LIABILITY)

(INDIAN BRANCHES)

BALANCE SHEET AS AT 31ST MARCH 1989

[illegible]	[illegible]	[illegible]	[illegible]
1 929 105 938	[illegible]		
	9 Profit and Loss		
[illegible]	Balance of Profit brought forward	[illegible]	
11 048 305	Less Amount remitted to Head Office		
[illegible]		[illegible]	
	Add Amount remitted to Head Office during 1988 now adjusted	[illegible]	
[illegible]		[illegible]	
[illegible]	[illegible]	[illegible]	
[illegible]		[illegible]	
	Less [illegible]		
[illegible]		[illegible]	
[illegible]		[illegible]	
	Balance of Profit and Loss [illegible] Balance of Foreign Branches	[illegible]	
	10 Contingent Liabilities		
	(i) Claims against the Banking Company not acknowledged as debts	[illegible]	
818 831	(ii) Guarantee letters of credit issued	[illegible]	
[illegible]	(iii) Liabilities on Bills Exchange [illegible]	[illegible]	
[illegible]	(iv) Liabilities on account Outstanding Forward Exchange Contracts	[illegible]	
[illegible]	(v) Or partly paid share of Joint Stock Company	[illegible]	
[illegible]			
929 105 938	TOTAL RUPEES		3 347 206 008 50

[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]		[illegible]
	6 Bills Receivable being Bills for Collection per Contra		
[illegible]	(i) Payable in India	[illegible]	
[illegible]	(ii) Payable outside India	[illegible]	
[illegible]			[illegible]
	7 Constituents Liabilities for Acceptances Endorsements and Other Obligations per Contra		[illegible]
[illegible]	8 Premises Less Depreciation		
[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]		
[illegible]			[illegible]
	9 Furniture and Fixtures Less Depreciation [illegible]		
[illegible]	Book Value [illegible] Balance Sheet	[illegible]	
[illegible]	Additions during the period year	[illegible]	
[illegible]		[illegible]	
[illegible]	Less Deductions during the year	[illegible]	
[illegible]		[illegible]	
	Less Depreciation Written Off up to 31st March 1989	[illegible]	
[illegible]			[illegible]
	10 Other Assets		
[illegible]	(i) Head Office and Balance [illegible] foreign branches	[illegible]	
[illegible]	(ii) Interest accrued [illegible]	[illegible]	
[illegible]	(iii) Other interest and [illegible]		
[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	
[illegible]	(v) Prepaid expenses and [illegible]		
[illegible]	[illegible]	[illegible]	
[illegible]	(vii) Deposits	[illegible]	
[illegible]	(viii) [illegible] depreciation	[illegible]	
	(ix) Item in suspense account	[illegible]	
[illegible]	(x) Branch Adjustment (in India)		
[illegible]			[illegible]
	11 Non Banking Assets acquired in satisfaction of claims		
1 929 105 938	TOTAL RUPEES		3 347 206 008 50

As per our attached report of even date

For S B Billimoria and Company
Chartered Accountants

Sd

MR S J MERCHANT
Partner

For Banque Nationale de Paris

Sd/

MR C DOMERCQ
Manager for India

BOMBAY 18th July 1989

BANQUE NATIONALE DE PARIS

(INCORPORATED IN FRANCE WITH LIMITED LIABILITY)

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1ST JANUARY 1988 TO 31ST MARCH 1989

01.01.198[illegible] to 31.12.198[illegible] Rs	EXPENDITURE	Rs. P.	01.01.1987 to 31.12.198[illegible] Rs	INCOME (After provision made during the year for Bad and Doubtful Debts and other usual or necessary provisions)	Rs. P.
[illegible]	1 Interest paid on Deposits, Borrowings, Head Office, Foreign Branches, Accounts etc.	100,812,355.[illegible]	128,[illegible]73,821	1 Interest and Discount including from Head Office and Foreign Branches	188,053,220.77
[illegible]	Salaries and Allowances and Provident and Gratuity Funds	13,185,51[illegible].03	20,310,88[illegible]	2 Commissions, Exchange and Brokerage	10,737,001.05
11,100	3 Directors and Local Committee Members Fees and Allowances	100.00	[illegible]3,000.00	3 Rents	72,612.50
5,806,[illegible]8	4 Rent, Taxes, Insurance, Lighting, etc.	8,010,030.1		4 Net Profits on Sale of Investments (Gold and Silver Land, Premises and Other Assets not credited to Reserves or any particular Fund or Account)	
535,088	5 Law Charges	1,5[illegible]0,000.00	1,033,032		
1,050,[illegible]3	6 Postages, Telegrams and Stamps	1,87[illegible],[illegible]1.13			
115,000	7 Auditors' Fees	181,500.00			
3,3[illegible],[illegible]1	8 Depreciation on and Repairs to the Banking Company's Properties	7,[illegible],8[illegible].1		5 Net Profit on Revaluation of Investments (Gold and Silver Land, Premises and Other Assets not credited to Reserves or any particular Fund or Account)	
[illegible],685	9 Stationery, Printing, Advertisement, etc.	3,[illegible],535.[illegible]			
	10 Loss from Sale of or dealing with Non Banking Assets			6 Income from Non Banking Assets and Profit from Sale of or dealing with such Assets	
3[illegible],333,180	11 Other Expenditure (including Income tax Provision and Head Office Supervision Charges)	18,03[illegible],[illegible]10	2,718,7[illegible]	Other Receipts	15,533,83
1,331,110	12 Balance of Profit	1,1[illegible]8,[illegible]1.5			
158,100,310	TOTAL RUPEES	2,086,141,1[illegible]	158,100,310	TOTAL RUPEES	2,086,141,15

Notes forming part of the Accounts for the Period from 1st January, 1988 to 31st March, 1989

1) Particulars of remuneration of Chief Executive Officers are as follows:

	Former Manager Rs. P.	Present Manager Rs. P.	Total Rs. P.	1987-88 Rs. P.
Salaries and Dearness Allowance	8[illegible],333	100,000	303,105.7[illegible]	51,[illegible]18
Other Allowance	83,[illegible]	11,000	83,3[illegible]	1,500
Bonus	55,[illegible]75		55,[illegible]	8,3[illegible]
Money value of other benefits and perquisites including furnished accommodation, utilities and Car calculated according to the income tax rules	31,188	550.05	31,0[illegible]	17,060
Total Rs.	1,58,301.38	31.05	68,[illegible],035.13	135,123

2) Fixed Assets had been revaluated in the Books of the Indian Branches of the Bank as at 1st January 1983 by a Valuer. Consequent upon the revaluation, income tax written down value in respect of vehicle, furniture and fixture.

3) Premises include share in Housing Company of Rs. 5,00,133 (previous year Rs. 5,00,133) in which no depreciation has been provided.

4) In respect of tax matters in dispute amounting to Rs. 45,10,[illegible] upto the assessing year 1985 where the Income tax authorities have preferred appeal no provision has been made in respect of these matter pending the final outcome of the appeal. However the amount of unremitted profit and Head Office charges withheld in India is more than adequate to cover the liability if any that may arise in this regard.

5) Figures for the current year are for 15 months from 1st January 1988 to 31st March 1989 whereas the figures for previous year are for the calendar year ended 31st December 1987. They are therefore not comparable.

Previous years figures have been regrouped wherever necessary.

As per our attached report of even date

For S.B. BILIMORIA AND COMPANY
Chartered Accountants

Sd/
MR. S. J. MERCHANT
Partner

For BANQUE NATIONALE DE PARIS

Sd/
MR. C. DOMERGQ
Manager for India

BOMBAY 18th July 1989

BANQUE NATIONALE DE PARIS

(INCORPORATED IN FRANCE WITH LIMITED LIABILITY)

(INDIAN BRANCHES)

Schedule of Particulars of Advances Required by the Banking Regulation Act 1949 (Act/Fsx of 1949) Attached to and Forming Part of the Balance Sheet As At 31st March, 1989

31 12 1987 Rs	PARTICULARS	Rs P
329 307 152	1 Debts considered good in respect of which the banking company is fully secured	[illegible]
128 005 623	2 Debts considered good for which the banking company holds no other security than the debtors personal security	[illegible]
291 881 590	3 Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	[illegible]
	4 Debts considered doubtful or bad not provided for	
[illegible]	TOTAL RUPEES	[illegible]

31 12 1987 Rs	PARTICULARS	Rs P
1 031 185	5 Debts due by the directors or officers of the banking company or any of them either severally or jointly with any other persons	14 832 377 04
	6 Debts due by the companies or firms in which the directors of the banking company are interested as directors partners or managing agents or in the case of private companies as members	—
1 031 185	7 Maximum total amount of advances including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons	14 832 377 04
	8 Maximum total amount of advances including temporary advances granted during the year to companies or firms in which the directors of the banking company are interested as directors partners or managing agents or in the case of private companies as members	-
5 [illegible]	9 Due from banking companies	243 990 19

Auditors Report on the Indian Branches of Banque Nationale de Paris under Section 30 of the Banking Regulation Act, 1949

We have audited the attached Balance Sheet of the Indian Branches of Banque Nationale de Paris as at March 31 1989 signed by us under reference to this report and the relative Profit and Loss Account of the Indian Branches of the Bank for the period 1 January 1988 to 31 March 1989

In accordance with the provisions of Section 29 of the Banking Regulation Act 1949 read with the provisions of sub sections (1) (a) and (5) of Section 211 and sub section (5) of Section 217 of the Companies Act 1956 the Balance Sheet and Profit and Loss Account together with the notes thereon are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act 1956 The accounts are therefore drawn up in conformity with the Forms A and B of the Third Schedule to the Banking Regulation Act 1949

We report that subject to and read with the foregoing remarks

(1) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit and have found them to be satisfactory

(2) The transactions which have come to our notice have been in our opinion within the power of the Indian Branches of Banque Nationale de Paris

(3) In our opinion proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books

(4) The above mentioned Balance Sheet and the Profit and Loss Account of the Indian Branches of the Bank dealt with by this report are in agreement with the books of account

(5) In our opinion and to the best of our information and according to the explanations given to us the accounts together with the notes thereon and subject to note 1 dealing with fixed assets and note 4 with certain taxation matters under appeal give the information required by the Companies Act 1956 in the manner so required for Banking Companies and on such basis give a true and fair view in the case of the Balance Sheet of the state of affairs of the Indian Branches of the Bank as at 31 March 1989 and in the case of the Profit and Loss Account of the profit of the Indian Branches for the period 1 January 1988 to 31 March 1989

For S B BILIMORIA & CO
Chartered Accountants
Sd
MR S J MERCHANT
Partner

BOMBAY 18th July 1989

بنك عمان المحدود

Bank of Oman Limited

(Incorporated in UAE with Limited Liability)

Air India Building Nariman Point Bombay 400 021

BALANCE SHEET AS AT 31ST MARCH, 1989

Bombay Branch

Previous Year 31.12.88 Rs. P.	CAPITAL & LIABILITIES		31.3.89 Rs. P.
	1 Capital		
	Deposit with Reserve Bank of India under Section 11(2)(a) & (b) of the Banking Regulation Act 1949 comprising of Government Securities of face value of Rs 1,00,00,000 are included in Investments		
20,00,000.00			0,00,000.00
	2 Reserve Fund and Other Reserves		
Nil			14,17,797.00
	3 Deposits and Other Accounts		
	(i) Fixed Deposits from		
5,53,00,000.00	(a) Banks	Nil	
26,14,82,974.65	(b) Others	56,00,24,655.70	
	(ii) Savings Bank Deposits	1,87,89,496.03	
1,59,40,418.56			
	(iii) Current Accounts Contingency Accounts etc from		
1,64,[illegible]80.93	(a) Banks	6,40,498.62	
13,72,51,213.71	(b) Others	14,34,44,140.14	
47,01,39,387.85			7[illegible]8,98,[illegible]0.49
	4 Borrowings from Other Banking Companies Agents etc		
2,[illegible]3,06,165.00	(i) In India	3,[illegible]3,371.36	
58,961.16	(ii) Outside India	5,[illegible]432.53	
2,73,65,1[illegible]6.46			37,[illegible]1,804.19
	Particulars		
Nil	Secured	Nil	
2,73,65,1[illegible]6.46	Unsecured	3,[illegible]1,804.19	
24,71,6[illegible]6.84	**5 Bills Payable**		[illegible]3,69,35[illegible].0
	6 Bills for Collection being bills receivable as per contra payable		
3,29,78,50[illegible].[illegible]	(i) In India	11,[illegible]3,5[illegible],336.[illegible]	
1,16,30,936.[illegible]	(ii) Outside India	7,71,05,992.61	
4,46,09,443.[illegible]1			19,64,58,329.25
	7 Other Liabilities		
	(i) Balances due to Head Office & Foreign Branches	1,64,59,355.04	
1,06,71,20[illegible].82			
	(ii) Income accounted in advance	30,82,627.91	
11,48,542.68			
1,18,19,750.50			1,95,41,982.95
	8 Acceptances Endorsements and other obligations per contra		
10,90,93,662.64			19,28,78,342.01
56,74,99,067.50	Carried Forward		1,14,83,56,404.96

Previous Year 31.12.87 Rs. P.	PROPERTY & ASSETS		31.3.89 Rs.
	1 Cash		
	In hand and with Reserve Bank of India and State Bank of India (including foreign currency notes)		
1,33,3[illegible],36[illegible].[illegible]			6,26,80,910.[illegible]
	2 Balance with Other Banks		
3,21,68,316.47	(i) In India	48,[illegible]3,205.04	
34,26,498.1[illegible]	(ii) Outside India	8[illegible],[illegible]9,000.53	
3,55,94,814.[illegible]			1,36,0[illegible],05[illegible]
	On Current Account		
2,21,68,316.[illegible]	(i) In India	48,73,[illegible]05.04	
34,26,498.15	(ii) Outside India	8[illegible],[illegible]9,000.53	
	On Deposits		
1,00,00,000.00	(i) In India	Nil	
Nil	(ii) Outside India	Nil	
	3 Money at Call and Short Notice		
2,00,00,00[illegible].00			Nil
	4 Investments (at or below cost)		
	(i) Securities of the Central & State Governments & other Trustee Securities including Treasury Bills of the Central & State Governments	19,82,63,905.00	
14,16,[illegible]5,1[illegible]5.00			
5,00,000.00	(ii) Equity Shares	5,00,000.00	
41,00,000.00	(iii) Debentures or Bonds	19,55,000.00	
Nil	(iv) Other Investments	Nil	
Nil	(v) Gold	Nil	
14,6[illegible],25,175.00			20,0[illegible],98,905.00
	5 Advances (other than bad & doubtful debts for which provision have been made to the satisfaction of the Auditors refer Notes (4) & (6))		
	(I) Loans Cash Credits Overdrafts etc		
15,61,61,782.76	(i) In India	27,20,79,368.50	
Nil	(ii) Outside India	Nil	
15,61,61,782.76		27,20,79,368.50	
	(II) Bills Discounted and Purchased (excluding Treasury Bills of the Central & State Governments) payable		
8,65,69,540.32	(i) In India	9,04,67,961.77	
2,32,81,744.65	(ii) Outside India	5,34,46,934.95	
10,98,51,284.97		14,39,14,896.72	
26,60,13,067.73			41,59,94,265.2[illegible]
18,12,15,425.31	Carried Forward		69,29,76,286.63

بنك عمان المحدود

Bank of Oman Limited

(Incorporated in UAE with Limited Liability)

Air India Building Nariman Point Bombay 400 021

BALANCE SHEET AS AT 31ST MARCH, 1989

Bombay Branch

Previous Year 31.12.87 Rs P	CAPITAL & LIABILITIES		31.3.89 Rs P	Previous Year 31.12.87 Rs P	PROPERTY & ASSETS		31.3.89 Rs P
[illegible]	Brought Forward		[illegible]	[illegible]	Brought Forward		[illegible]
	9 Profit and Loss Account				**6 Bills receivable being bills for collection per contra payable**		
[illegible]	Profit as per last Balance Sheet	[illegible]		[illegible]	(i) In India	[illegible]	
				[illegible]	(ii) Outside India	[illegible]	
	Add Profit for the year per Profit & Loss Account Annexed	[illegible]		[illegible]			[illegible]
[illegible]		[illegible]			**7 Constituents Liabilities for Acceptances Endorsements and other obligations per contra**		[illegible]
[illegible]	**Less** Profit Remitted	[illegible]					
Nil	**Less** Transferred to Statutory Reserve	[illegible]		[illegible]			
[illegible]			[illegible]				
				Nil	**8 Premises less Depreciation**		Nil
	10 Contingent Liabilities				**9 Furniture & Fixtures** including capitalised alterations) less depreciation		
[illegible]	(i) Claims against the Banking Company not acknowledged as debts	[illegible]					
	(ii) Guarantees given on behalf of			[illegible]	Cost as per last Balance Sheet	[illegible]	
	(a) Customers at Head Office and Foreign Branches	[illegible]		[illegible]	Additions during the year	[illegible]	
Nil	(b) Officers	Nil		[illegible]		[illegible]	
[illegible]	(c) Others	[illegible]		Nil	**Less** Disposals during the year	[illegible]	
	(iii) Liabilities on bills of exchange rediscounted	[illegible]		[illegible]		[illegible]	
[illegible]	(iv) Liability on account of outstanding forward exchange contracts	[illegible]		[illegible]	**Less** Depreciation upto 31.3.1989	[illegible]	
				[illegible]			[illegible]
[illegible]					**10 Other Assets**		
				[illegible]	(i) Head Office & balances with Foreign Branches	[illegible]	
				[illegible]	(ii) (a) Interest accrued on investments	[illegible]	
				[illegible]	(b) Other interest and commission receivable	[illegible]	
				[illegible]	(c) Prepaid expenses and sundry amounts receivable	[illegible]	
				[illegible]	(iii) Stamps and Stationery	[illegible]	
				[illegible]	(iv) Vehicles less depreciation	[illegible]	
				[illegible]			[illegible]
				Nil	**11 Non Banking Assets acquired in satisfaction of claims**	Nil	
[illegible]	TOTAL RUPEES		[illegible]	[illegible]	TOTAL RUPEES		[illegible]

For BANK OF OMAN LTD BOMBAY
Sd/
O C J MARTIN
MANAGER OPERATIONS

For BANK OF OMAN LTD BOMBAY
Sd
M A BAIG
ASST CHIEF MANAGER

For BANK OF OMAN LTD BOMBAY
Sd/
M V KULKARNI
CHIEF EXECUTIVE OFFICER
(INDIA)

As per our Report of even date attached
for S M RAIJI & COMPANY
Sd/
ANAND RAO
PARTNER

Bombay July 29 1989

بنك عمان المحدود
Bank of Oman Limited

Bombay Branch

PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 1989

Previous Year Ending 31.12.8[illegible] Rs. [illegible]	EXPENDITURE	31.3.89 Rs. [illegible]	Previous Year Ending 31.12.8[illegible] Rs. [illegible]	INCOME (Less provision made during the year for bad and doubtful debts and other usual or necessary Provisions) Refer Notes (4) & (6)	31.3.8[illegible] Rs. [illegible]
[illegible]	1 Interest paid on deposits borrowing from foreign banks branches Local Banks Reserve Bank of India Financial Institutions etc.	[illegible]	5,37,36,760.88	1 Interest and discount including from Foreign Branches	7,87,26,941.9[illegible]
[illegible]	[illegible] allowance Provident fund and Bonus	[illegible]	69,[illegible]	Commission Exchange and Brokerage	1,12,30,466.5[illegible]
[illegible]	3 Local Advisory Board Members Fee and Allowance	[illegible]	Nil	3 Rent	N[illegible]
[illegible]	4 Loss on sale of Investments	Nil		4 Net profit on sale of investments gold silver land premises and other assets (not credited to reserves or any particular fund or account)	
[illegible]	Rent taxes insurance lighting etc.	[illegible]	Nil		9,83,360.0[illegible]
Nil	6 Law Charges	[illegible]	Nil	5 Net profit on revaluation of investments gold silver land premises and other assets (not credited to reserves or any particular fund or account)	
[illegible]	Postage telegrams telephones and stamps	[illegible]	Nil		N[illegible]
30,000.00	8 Auditors fees	18,000.00	Nil	6 Income from Non banking assets and profit from sale of or dealing with such assets	
10,08,[illegible]	9 Depreciation on and Repairs to the Banking Company's property	[illegible]	Nil		N[illegible]
[illegible]	10 Stationery printing advertisement etc.	[illegible]	Nil	7 Other Receipts	7,60,219.1[illegible]
Nil	11 Loss from sale of or dealing with non banking assets	Nil			
[illegible]	12 Other Expenditure	[illegible]	[illegible]		
[illegible]	13 Balance of profit for the year	[illegible]			
[illegible]	TOTAL RUPEES	[illegible]	[illegible]	TOTAL RUPEES	9,17,00,987.6[illegible]

NOTES FORMING PART OF THE ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH, 1989

1. The Balance Sheet and Profit and Loss Account have been prepared in conformity with Form A and B respectively of the Third Schedule to the Banking Regulation Act 1949.

2. Particulars of Remuneration paid provided to the Chief Executive Officer

Previous Year Erstwhile Officer Rs.	Previous Year Present Officer Rs.	Previous Year Total Rs.		Current Year Rs.
1,58,400	30,000	1,88,400	Salary & Bonus	1,89,930
[illegible]	5,1[illegible]	9,[illegible]	Perquisite evaluated in accordance with Income Tax Rules	33,71[illegible]
1,82,7[illegible]	35,1[illegible]	[illegible]	TOTAL	[illegible]

3. Provision for Income Tax has been made on the basis of the stand taken by the Bank in the return of income and appeal filed by it with the assessing authorities. Pending outcome of the appeal assessments the additional tax liability if any cannot be ascertained.

4. In cases where the Bank has made no provision for bad and doubtful advances the balance as on 31 March 1989 in the Unremitted Profits Account is considered adequate to cover the after tax impact of subsequent losses if any arising out of these advances. In view of the steps being taken for the recovery of these advances it would be premature to quantify such losses.

5. For making provision for doubtful advances the Bank has taken into account certain claims from the guarantee institutions which the Bank has considered valid and recoverable.

6. The Bank is of the opinion that the decision of the Honourable Supreme Court regarding the taxability of interest on sticky advances in the case of State Bank of Travancore Vs CIT is not applicable in cases where no interest has been charged on sticky accounts. The Bank has therefore not made any provision for income tax in respect of cases where no interest has been charged on sticky accounts.

7. Depreciation has been provided at the written-down value method rates prescribed in Schedule XIV of the Companies Act for the 15 month period ending 31.3.1989.

8. Previous year's figures have been regrouped wherever necessary and are not comparable with the current period figures which are for a period of fifteen months.

For BANK OF OMAN LTD. BOMBAY
Sd/
O.C.J. MARTIN
MANAGER OPERATIONS

For BANK OF OMAN LTD. BOMBAY
Sd/
M.A. BAIG
ASST. CHIEF MANAGER

For BANK OF OMAN LTD. BOMBAY
Sd/
M.V. KULKARNI
CHIEF EXECUTIVE OFFICER
(INDIA)

As per our Report of even date attached
for N.M. RAIJI & COMPANY
Sd/
ANAND RAO

Bombay July 29, 1989

بنك عمان المحدود
Bank of Oman Limited

Bombay Branch

Schedule of Particulars of Advances Required by the Banking Regulation Act 1949 (Act X of 1949) Attached to and Forming Part of the Balance Sheet as at 31st March, 1989

Previous Year 31 12 87 Rs P	PARTICULARS	1989 Rs P
5 18 03 538 51	(i) Debts considered good in respect of which the Banking Company is fully secured	7 8 03 [illegible]
60 19 140 [illegible]	(ii) Debts considered good for which the Banking Company holds no other security than the debtor's personal security	7 08 81 0 [illegible]
1 81 60 378 90	(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	8 30 81 [illegible]
NIL	(iv) Debts considered doubtful or bad not provided for	73 [illegible]
5 60 13 067 73	TOTAL RULES	11 5 [illegible]

Previous Year 31 12 87 Rs P	PARTICULARS	31 3 89 Rs P
1 58 7 63 11	(v) Debts due by the Directors or Officers of the Banking Company or any of them either severally or jointly with any other persons	5 31 072 55
NIL	(vi) Debts due by Companies or firms in which the Directors of the Banking Company are interested as Directors Partners or Managing Agents or in the case of Private Companies as Members	NIL
1 38 58 [illegible]	(vii) Maximum total amount of advances including temporary advances made at any time during the year to Directors or Managers or Officers of the Banking Company or any of them either severally or jointly with any other persons	6 69 541 90
NIL	(viii) Maximum total amount of advances including temporary advances granted during the year to the companies or firms in which the Directors of the Banking Company are interested as Directors Partners Managing Agents or in the case of Private Companies as Members	NIL
1 50 00 000 00	(ix) Due from Banking Companies	NIL

REPORT OF THE AUDITORS

We have audited the attached Balance Sheet of the Bombay Branch of Bank of Oman Limited as at 31st March 1989 and also the Profit and Loss Account of the Bombay Branch of the Bank for the period ended on that date

In accordance with the provisions of Section 29 of the Banking Regulation Act 1949 read with provisions of Sub-Section (1) (2) and (5) of Section 211 and Sub Section (1) of Section 227 of the Companies Act 1956 the Balance Sheet and Profit and Loss Account together with the notes thereon are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act 1956 The Accounts are therefore drawn up in conformity with Forms A and B of the Third Schedule to the Banking Regulation Act 1949

We report that read with the foregoing remark

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory

the transactions which have come to our notice have been in our opinion within the power of the Bombay Branch of the Bank

(c) in our opinion proper books of account as required by law have been kept by the Branch so far as appears from our examination of those books

(d) the Balance Sheet and Profit and Loss Account of the Bombay Branch of the Bank dealt with by this report are in agreement with the books of account

(e) in our opinion and to the best of our information and according to the explanations given to us the said accounts read with the notes thereon and subject to

(i) Note 4 regarding provision not having been made for certain bad and doubtful advances and

(ii) Note 6 regarding provision for tax not made on interest not charged on sticky advances

give the information required by the Companies Act 1956 in the manner so required for Banking Companies and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Bombay Branch of the Bank as at 31st March 1989 and the Profit and Loss Account gives a true and fair view of the profit of the Bombay Branch for the period ended on that date

For N M RAJJI & COMPANY
CHARTERED ACCOUNTANTS

Sd/
ANAND RAO
PARTNER

Bombay July 29 1989

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Vol XXIV No 31 August 5, 1989

Budget 1989-90: Reflecting Constraints and Confusions

Policies of the government are the outcome of the pressures from the diverse ruling interest groups This limits the government's capacity to utilise the economy's resources more rationally which in turn increases social tensions and demands on the government The 1989 90 budget reflects yet again the government's incapacity to break out of the low growth trap Technology is unlikely to take off to raise efficiency or reduce costs to make Indian goods export competitive and efforts at creating employment are too inadequate A more explicit policy of state intervention can reverse these trends 1771

Afterthoughts on a Bloodbath

The Beijing tragedy has inflicted serious damage on the CPC's ongoing programme of socialist modernisation through an updating of science and technology which depends for its success on the involvement of the Chinese intelligentsia and the collaboration of advanced capitalist countries 1785

The Chinese treatment of the students cannot be justified Equally, nor can the holier than thou attitude of the Big 7 1748

Granted that the Chinese students are fighting for some kind of freedom within Deng's political system is that the same thing as fighting for socialist freedom? Freedom in the socialist sense is much more often freedom from than freedom of which is not the same thing as saying that socialism is inimical to civil liberties The socialist concept of freedom demands that we look at the question of civil liberties in a socialist society in its own terms and not in liberal term 1761

Infant Deaths in Calcutta

The rapidly deteriorating public health system in Calcutta has once again been highlighted by the recent mass deaths of fourteen newborn babies at the Calcutta Medical College and Hospital And yet again the state's health administration is more concerned with manufacturing excuses and churning out temporary remedies than with instituting basic changes 1751

A 'Third Alternative'

In the last couple of years the track record of the left in Pakistan has been so poor that it is indeed a miracle that there is a left at all in the country Recently though the newly formed Qaumi Inquilabi Party has been making an effort to unite what remains of the left to forge a third alternative 1759

Sri Lankan Fiasco

The Indian prime minister now feels betrayed The Sri Lankan ruling class did not avail of the opportunity provided by the IPKF Junius Jayewardene is gone, they have installed in his place a commoner who lacks breeding and manners and does not quite belong 1743

Legislators' Privileges

In early May Yashwant Sinha of the Janata Dal raised in the Rajya Sabha a breach of privilege question against the Chandigarh administration on his arrest and detention in the city recently That the matter is still only being looked into is cause for serious reflection 1745

In Maharashtra a journalist's report of the corruption in the secretariat has been held to be a breach of privilege which lowers the prestige of the legislature 1749

Arm Twisting Press Barons

With every change in the political regime in Madhya Pradesh the correspondents of national dailies are appropriately changed It is no coincidence that those who are transferred out are the ones who are not on good terms with the new incumbents 1755

'No' to a Steel Plant

Now that the furore about the steel plant in Wardha, near Gandhi's Sevagram has somewhat died down, the Ashramites objections should be closely examined 1754

LETTER TO EDITOR

Nature of Indian Capitalism

THIS is in reference to the review of our book *Technology Development and the Environment* by A Chokkalingam (June 3). I am most grateful to Chokkalingam for an important comment he has made on my paper Population Growth Technological Change and Economic Development which runs thus "Issues of class and extraction of surplus value in this context are not specifically discussed" (col 2 p 1276).

In my paper under reference I have tried to show that the capitalist class in India is a result of transplantation of the capitalist mode of production from overseas where this mode of production has evolved historically. As such the capitalist class in India has no root in its history. India had wealthy feudal and mercantile classes but surplus social labour extracted by these classes did not play any role in India's capitalist industrial development even though India was rich in proto technology products of which were known world wide at that time. Causes of the failure of industrialisation to evolve in India from traditional proto technology were discussed in my paper. Briefly population pressure on the existing resources and technology was not strong enough to generate forces to develop proto technology into industrial technology as it did in Britain. The population growth rate was meagre at around 2 per cent or even less and sometime negative and not sustained. In the view of Kautsky feudalism like other modes of production only has the ability to sustain no more than a certain size of population and once that limit is reached feudalism gives way to another mode of production (capitalism) which can carry on with the task of sustaining the population too big for feudalism (Quoted in A Hussain and K Tribe *Marx and Agrarian Question* 1987 and see for details also P Maitra *Population Technology and Development* Aldershot UK and Vermont USA 1986).

Capitalism in India not having been a product of India's own social and economic development generating the social surplus needed for capitalist transformation it has failed to play any progressive role of the type that capitalism played in the UK in the nineteenth century. An introduced capitalism results in acute exploitation poverty and economic inequality but cannot bring about revolutionary change in the mode of production and with it in social consciousness. That is why despite a long history of introduced capitalist industrialisation in India over 70 per cent of labour force is dependent on primary sector and only 9 per cent is in manufacturing including 3 4 per cent in small scale and household industries. When capitalism emerges as a historical necessity a society cannot afford this kind of undeveloped economic structure. On the other hand when the mode of capitalist production evolves in a society it brings about a revolutionary change in the social mind hitherto a feudalistic one of worshipping of nature and feudal lords blind religious faith and fatalistic outlook on life. In India the recent rapid growth of industrialisation and modernisation on the contrary has been accompanied by a rising tempo of feudal practices religious fanaticism religious fundamentalism communal riots etc.

With the above interpretation of class and its role very little can be said of the significance of surplus extraction resulting in the development of capitalism. There is no doubt about the fact that a huge surplus is extracted and gets increasingly concentrated in the hands of a few due to the nature of technological change introduced in these societies. In 19th century cases of capitalist industrialisation extraction of surplus played a vital role in the spread of capitalism absorbing human resources in a more productive way. Thus surplus was generated as a result of increased productivity of social labour.

In later cases of capitalist industrialisation with imported technology from developed economies at their intensive phase of technological change the rate of extraction of surplus has been enormous and much higher than what it was during the 19th century capitalist industrialisation but with little diffusion effects and with no impact in terms of raising social consciousness as Marx envisaged. On the contrary rapid growth of modernisation with imported technology has been accompanied by strengthening of the feudal social mind deepening communalism and religious fundamentalism etc. This is to be expected because when technology and production instruments evolve from traditional stage through interactions between social mind and environment human resources are processed and divested of past feudalistic blind religious faith fatalism etc. As the technology based on science evolves through more productive use of labour the capitalist system extracts social surplus for its own use and unconsciously prepares its own grave. In Marx's view factory life required co operation among workers against the onslaught of capitalist exploitation. This helps the development of a communist consciousness which is a necessary and irreplaceable step prior to the revolutionary establishment of a communist society.

Is this applicable to the capitalism of India where factory workers comprise only 6 per cent of the labour force? When capitalist technology evolved in another country through the use of its social labour is transferred to India or any other third world country of today it absorbs very little of their labour in capitalist production but undoubtedly it generates a tremendous amount of economic surplus while the vast majority of the workforce remains engaged in primary activities, small scale and household industries as petty traders porters domestic servants etc. The capitalist service sector again absorbs very little of human capital. The capitalist sector though very limited extracts a huge surplus but with very little labour.

In the circumstances the extraction of surplus has no more significance than surplus extraction by the mercantile capitalist class. That is introduced capitalism draws a huge surplus but fails to revolutionise the mode of production and develop socialist social consciousness as most Marxists believe.

Because of these reasons I did not give any importance to the analysis of class and surplus extraction. But I think I should have included the analysis and its absence has been a grave mistake. I owe an enormous debt to G Chokkalingam and your esteemed journal.

PRIYATOSH MAITRA
University of Otago
Dunedin New Zealand

SUBSCRIPTION RATES

Inland

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ECONOMIC AND POLITICAL WEEKLY

Political Winds

THE rapid political developments of the last three weeks marked by the presentation of the Comptroller and Auditor General's report to parliament the decisive resurfacing of the Bofors scandal as a political issue and the mass resignation of opposition MPs from the Lok Sabha have put the prime minister personally and the top leadership of the Congress(I) on the defensive equally importantly these developments have served to re emphasise the fact that the coming election to parliament will be essentially a contest between rival segments of what may be called bourgeois political forces in the country Indicative of this are two immediately evident consequences of the latest political events First within the opposition the position of the Janata Dal under the leadership of V P Singh has been definitely enhanced It is interesting in this context that the Congress(I)'s counter strategy of trying to implicate V P Singh in the Bofors deal because he had been finance minister in Rajiv Gandhi's government when the deal was struck has had little impact Second within the Congress(I) there has emerged open restiveness and rumblings of disaffection towards the party's leadership Two prominent members of the party Rao Birendra Singh from Haryana and H N Nanje Gowda from Karnataka both with not inconsiderable political bases in their respective regions have already come out in the open but it is clear from its reaction that the Congress(I) leadership is aware that the sentiments publicly expressed by these two leaders strike sympathetic echoes in fairly wide circles within the party These two trends are of course related and mutually reinforcing The enhanced position of the Janata Dal within a generally reinvigorated opposition widens the political options available to Congressmen especially those with relatively sound local support bases who had been ignored or even deliberately side lined by the prime minister and the coterie around him but who have now once again become politically relevant with the approaching elections Such Congressmen will increasingly perceive that there can be political life for them beyond and without Rajiv Gandhi and so begin to assert themselves within the party and should cost benefit calculation suggest the wisdom of such a course, cross over to the Janata Dal at strategic moments between now and the elections V P Singh's statement on Thursday calling on Congressmen "with conscience to revolt against the party leadership is a response to this situation and a signal to malcontents in the Congress that the Janata Dal will have worthwhile openings for them Of course, the more the number of prominent Congressmen who shift their allegiance to the Janata Dal, the further consolidated will get the position of the Dal within the opposition (and, not unimportantly, that of V P Singh within the Dal itself)

Another widely noticed development in recent weeks has been the readjustment of the position of the left parties led by the CPI(M) reflecting a coming to terms with the emerging political situation Not only did the left parties decide to fall in with the strategy of mass resignation of opposition party MPs but making explicit the implied logic of the move the CPI(M) general secretary, E M S Namboodiripad finally conceded in an interview this week that the principal enemy was the Congress(I) led by Rajiv Gandhi and so the principal task just now was the removal of the Congress(I) from power at the centre Of course the CPI(M) and the other left parties, continue through repeated public statements to take care to keep their distance from the BJP and declare that they would not engage in any sort of joint political activity with that party It is worth noting however that within the emerging overall political situation relations between the CPI(M) and the BJP are much less important to either opposition unity or to the opposition's electoral prospects than the two parties are apt to make out However genuine and wide the ideological differences between the two parties may be in the immediate context of the parliamentary elections these differences are not the dominant issues even for the two parties themselves This is brought out in the case of the CPI(M) by the differences among the opposition parties in regard to the stand to be taken on the government's panchayati raj bill in the Rajya Sabha On this issue the confrontation that the CPI(M) faces is not with the BJP at all but with the Janata Dal itself The CPI(M) taking its stand on the need to protect the state governments powers against encroachment by the centre is for total opposition to the bill so as to deny the government the two thirds majority in the Rajya Sabha necessary to ensure the enactment of the constitutional amendment On the other hand the Janata Dal essentially sharing the Congress(I)'s motives in seeking to pander to the local power structures in the rural areas in particular in the Hindi-speaking northern states, does not want to give a political handle to the Congress(I) by appearing to come in the way of the enactment of the panchayati raj bill Similarly, in the case of BJP, when it comes to sharing out constituencies for the elections the major differences and conflicts it is going to face will be with the Janata Dal, especially in the northern states This is not to say, of course, that the issues that divide the left parties from the BJP are not vital ones from the standpoint of the long run direction of the country's polity, but in the coming elections which will be fought out essentially among different segments of bourgeois political forces these issues are hardly going to be decisive

CONGRESS(I) POLITICS

Fanning Communal Flames

WHENEVER the Congress(I) tries to play the communal card it either unleashes a fundamentalism which becomes uncontrollable or reinforces the established fundamentalist groups which can always outsmart the Congress(I) at their own game.

Indira Gandhi in her bid to outsmart and disable the Akali Dal wooed those Sikh factions who were to the right of the Akali and created a Bhindranwale. What was probably meant to be a temporary close to queer the Akali pitch has now become a Khalistani automation which no longer obeys New Delhi.

Her only by trying to toady both the Hindu and Muslim fundamentalists has opened the floodgates of religious revivalism and allowed the communal parties and groups on both the sides to gain legitimacy. When in February 1986 at the instance of his party people in UP the disputed Ayodhya shrine was unlocked to allow Hindu devotees to see there and claim it is the birthplace of Rama it should have been recognised that Hindu fundamentalists of all hues ranging from the seemingly moderate BJP to the delirious Vishva Hindu Parishad would not stop at mere prayers. Neither the promise of a court verdict (to be given by a newly constituted three member bench of the Allahabad high court) nor unfavourable astrological predictions (manipulated by a desperate ruling party to avoid communal riots on the eve of elections) can deter the Hindu fundamentalists from going ahead with the programme of starting the construction of Shri Ram Mandir at the controversial site in Ayodhya in November this year. Instead of toying with the soft options of legal verdicts and astrological predictions the government could adopt the hard choice of clamping down upon the hordes of fanatic devotees who are coming from all corners of India carrying bricks for the proposed temple. But the state would not dare to hurt Hindu sentiments. It would rather deploy the police to prevent or beat up the Leftist demonstrators who under the auspices of the CPI and the CPI(M) are planning to converge at Ayodhya in November to prevent the construction of the temple, a rare bold gesture by the Communists to fight the communal forces. In any confrontation between the fundamentalists and the democratic and secular forces the Indian state always intervenes in favour of the former. Witness its behaviour during the anti sati demonstration led by Swami Agnivesh some time ago when it was prevented by the police from expressing its protest against the Hindu revivalists.

Such kid glove treatment of Hindu communal forces by a state already identified overtly with Hindusim through officially used Hindu myths and symbols invariably encourages chauvinism among the Hindus and emboldens the Hindu communal groups. This is markedly noticeable in the heartland, the citadel of obscurantism, religious superstitions and fundamentalism of both the Hindu and Muslim varieties. The recent victory of the BJP in the municipal elections in Lucknow and Allahabad indicates that the party has thrived upon the religious revivalism generated among the Hindus in the wake of the Ayodhya shrine dispute.

The three member bench of the Allahabad high court constituted for the speedily disposal of the Ayodhya dispute will hear the case in Lucknow. The historic city has been chosen for the hearing since, according to an official order, had for centuries been free from communal hatred, bias or prejudices and had remained a shattering example of the democratic and secular outlook. Things at the moment being what they are one can only hope that Lucknow does not become another Meerut and the hearing of the case does not provide yet another handle to the Hindu and Muslim communalists to start a riot there.

BIHAR

Crude Censorship

THE manner in which the ruling elite at various levels has set about suppressing criticism is nothing if not systematic. At the national level, the non official media is sought to be brought in line via shrewd formulations of the newsprint policy and attempts at legislative redefinition of the dimensions of freedom of the press itself. Public outcry against the Defamation Bill has at least temporarily stalled the latter. Recourse to such methods may reasonably be interpreted as a tacit admission by the officialdom of the ineffectiveness of the government in its chosen project of marketing the virtues of the current leadership. It would seem that the recent hard sell campaign that has no hold and presumes on too much in the matter of public credulity has found little purchase.

That however is cold comfort when the cruder methods of censorship employed by the regional and sub regional power elite are considered. The incidents in Bihar involving attacks on the press reflect the extent of collusion between the administration and criminal elements. The distinction between the former and the latter is not strictly valid given the unabashedly criminal activities of the administrative arms, as for instance in Dhanbad, the fiefdom of the notorious coal mafia. A sordid drama that began with the attempted rape and assault of a 16 year old tribal girl by seven policemen culminated in the arrest and maltreatment of several journalists.

The arrests and subsequent harassment in custody constitute an obvious attempt at gagging the press by terrorising individual pressmen. The Dhanbad police arrested Brahmdeo Sharma, the regional editor of *Awaz*, a local Hindi daily that had been critical of the nexus between the police and the mafia. The immediate provocation was the paper's sharp attack on the statement of the superintendent of police justifying the attempted rape on the ground that the victim was characterless. Journalists who went to see Sharma in the lock up were detained. Suleman Ravi, a reporter of the English daily *New Republic* who was covering a demonstration in front of the assistant district magistrate's (ADM) office was assaulted by the police and had to be hospitalised. Ashok Verma, correspondent of the *Nav Bharat Times* who went to visit him in hospital was subjected to violence by the police in the presence of the deputy development commissioner and his wife and the ADM who ironically enough discharges responsibility pertaining to law and order. Verma was handcuffed and kept in custody without any consideration for his kidney ailment while the chief minister's instruction to release him were ignored by the Dhanbad administration which even refused to hospitalise him despite his critical condition.

The entire episode mirrors the realities of Bihar politics. The unrestrained attack on the press is only a part of a broader process of degeneration of the polity. Democratic rights are devalued as the administration and a constellation of anti democratic elements feed off each other in harmonious symbiosis. In a milieu in which the people are browbeaten into submission it is only the uniform that distinguishes the lumpen in the constabulary from the lumpen outside it.

JHARKHAND MOVEMENT

'No Jharkhand, No Elections'

Indu Bharti writes

TWO months ago it appeared as if the Jharkhand Movement would once again fall prey to the electoral ambitions of its leaders. What strengthened this feeling was the fact that the All Jharkhand

Students Union (AJSU) which was staunchly opposed to the participation of the Jharkhand Coordination Committee (JCC) in the elections had to bow to the wishes of leaders like N E Horo of the Jharkhand Mukti Morcha (Mahato) and Santosh Rana of the CPI(ML) who were favouring participation in the elections But the one-day seminar organised by the JCC on June 22 at Dhanbad to discuss the issue of participation/boycott of polls and to take a final decision on the issue has changed the scene

At the seminar the AJSU leaders after realising (as a result of the two rounds of talks they had with the central and state governments) that the government's intention was only to trap them to get their agitational programmes suspended once again argued for the boycott of the elections and advocated the slogan of No Jharkhand No elections Other constituents of JCC like the Jharkhand Party JMM (Mahato) and CPI ML (Rana) agreed that unless the Jharkhand state was created no elections would be allowed to be held in the region More significant however was the rapprochement between the AJSU and the JCC They not only ironed out their simmering differences at the seminar and agreed to work unitedly in future but also resolved that henceforth the AJSU would not be treated as only a constituent of the JCC but would be projected as the youth wing of the JCC and all the agitational programmes of AJSU would be supported by other constituents of the JCC The JCC and the AJSU have given an ultimatum to the centre for creating a separate Jharkhand state by August 15 next failing which they have threatened to resume their non cooperation movement beginning with a seven day bandh call from that date

The Jharkhand Mukti Morcha (Shibu Soren) however opted to go for a referendum to seek the opinion of the tribals on the issue of participation in elections The JMM (S) also constituted a committee for this purpose But soon after in the first week of July, it has entered into a poll alliance with the Janata Dal This makes its real intentions clear

Meanwhile the third round of talks scheduled to be held with the Jharkhand leaders on July 7 has been abruptly postponed and there is considerable uncertainty as to when it will take place Just how serious the government is about solving the Jharkhand problem is evident from the fact that S K Pachauri, joint secretary in the union home ministry who was sent as the centre's representative during the first round of talks, was transferred to Andhra Pradesh within a week of the Patna talks In fact he was reportedly, already under orders of transfer when he was despatched to Patna as the centre's representative

JAPAN

Labour Shortage and Immigrant Workers

JAPAN's ministry of labour is reported to have come out with an estimate of the labour shortage in the country The estimate is based on a ministry survey of some 15,000 private firms across the country covering the light industrial sectors and involving 62 job categories The major finding of the survey is that as against 18 5 million workers employed by private industries there were as many as 2 1 million vacancies Thus the overall shortage was of the order of 11 3 per cent The greatest shortage was found to be in construction where it was to the extent of 26 7 per cent In terms of job categories, it is estimated that as many as 2 49 000 more sales personnel are needed 1 75 000 shop assistants, 99,000 bus truck and taxi drivers and 88 700 accountants The survey has also revealed that labour shortage is most serious for small and medium sized firms employing less than 300 persons In fact these firms account for 90 per cent of the overall shortage

It would appear that the survey excluded from its purview not only agriculture but also the entertainment industry—the two areas which seem to have attracted a large number of mostly clandestine, migrant labour from south-east Asia particularly Philippines More than 1 00 000 Philippine workers are estimated to be in Japan sweating it out in either entertainment (which is very much a euphemism for the prostitution industry in Japan and where possibly there are quite a few women from Thailand as well) or agriculture

Given the growing labour shortage in Japan, the question under debate right now—though the debate is still rather muffled—is whether to allow the immigration of workers in an open but regulated manner or to allow the present clandestine immigration to continue and grow The latter has all the evils which one generally associates with illegal activity of any sort, though it also allows the labour importing country to exploit to the maximum the weak bargaining position of the migrant labour (It is not quite certain though that the gains from this exploitation accrue to the industries which actually employ such labour) The question of immigrant labour can no longer be swept under the carpet, given the magnitude of labour shortage revealed by the labour ministry's survey And when decisions on the subject are taken, countries like India cannot be unconcerned The outflow of workers to the Gulf having slowed down with the need for unrequited inflow of foreign exchange greater than ever before, India has perforce to look for possibilities and opportunities elsewhere.

SOVIET UNION

Miners' Strike

AT this year's May Day parade in Moscow one of the floats showed the Soviet worker crushing the pencil pushing figure of a Soviet bureaucrat under a huge crate labelled perestroika But little did the Soviet ruling elite expect such action to be unleashed in reality While it may be an overstatement to characterise the recent coal miners strike that spread from Kuzbas in Siberia to Donbas in the Ukraine as 'perestroika from below', it could be described as coal miners for perestroika

One of the main demands of the miners was for individual pits to be given financial autonomy *vis a vis* the ministry and the regional coal boards This would mean that the local managements of the pits would have to be given decision making powers over incomes, expenditures, contracts other than state purchases and the allocation of surpluses In other words, the mine workers were articulating the interests of the local pit managements in the hope that the latter would safeguard their interests in matters such as spending the surpluses on improving their social facilities etc *Khozraschet* (economic accounting) and self financing which were extended to almost all enterprises quite

CORRIGENDUM

The Research Officer wanted by **Centre for Studies in Decentralised Industries**, 5th floor N K M International House, 178, Backbay Reclamation, Bombay 400 020 should have a Master's Degree in Economics/Social Science instead of a Degree in Economics/Social Science as erroneously mentioned in its advertisement appearing on page 1686 of this journal dated July 29, 1989 All other particulars remain unchanged

recently were only applicable to each regional coal board as the unit in the coal industry The coal miners felt that this was benefiting the bureaucracy where they should have been deriving the benefits Instead they had to continue to put up with poor living conditions Bad housing food shortages and poor social amenities in Siberia have also contributed to the spread of discontent

Shortages of food and basic consumer goods like meat condensed milk tea coffee cocoa sugar detergent and soap are perhaps a graphic illustration of some of the problems of the Soviet economy Two other economic problems are the deteriorating financial position of the government especially the growing budget deficit and the external account deficit According to Nikolai Ryzhkov the Soviet prime minister the debt service ratio proportion of export earnings required to finance interest and amortisation payments has passed the red line of 25 per cent The budget deficit according to one Soviet economist is 24 per cent of the total budget Again according to Nikolai Ryzhkov total Soviet foreign borrowing from the west is around 34 billion roubles

All the same, as a concession to the miners, Mikhail Gorbachev announced that 10 billion roubles had been set aside for the import of consumer goods which is double the amount announced previously

The miners strike has forced the government to concede greater financial autonomy to the coal mines The government has also agreed to a 50 per cent increase in the pithead price of coal The demand of the Coal Miners Union was for a 100 200 per cent increase The burden will fall on the thermal power plants unless they too get a hike in electricity tariffs The politics of administered pricing is perhaps one of the core issues today for this affects the relative profitability of different sectors The problem is compounded by the reluctance of the government to bear the burden of loss making enterprises which require continual capital subsidie

In a departure from past practice the official Coal Miners Union has backed the demands of the coal miners The miners have also been supported by the central press While they may not become masters of their pits the miners are at least getting a taste of the fruits of glasnost

BUSINESS

SUGAR

Price Rise Stoked by Government

M D Dewani writes

SUGAR prices are threatening to go out of the government's control Already they have jumped by about Rs 1 000 1 100 per tonne between June 26 and July 20 and the possibility of a further spurt cannot be ruled out as the steps taken by the government have proved ineffective

It was on June 26 that the government reduced by 50 000 tonnes to 8 32 lakh tonnes the monthly sugar release for domestic consumption and possibly being aware of the likely adverse reaction in the market simultaneously sounded a warning that with enough sugar stock the government would not hesitate to release substantial quantity in case of requirement or in case prices do not remain reasonable in the open market Sugar mills and the trade have virtually ignored this warning as hollow for there would have been no need to slash the monthly supply of sugar to the domestic market if the stock with the government were large enough

The sugar market responded with a smart rise in prices but the government did not release any additional sugar as it had threatened to do That only confirmed the belief that the government might not be having a big stock or it might not be considering the surge in prices unreasonable That added fuel to the fire and sugar prices have continued to move forward It would not be unreasonable to assume that an extra Rs 40-50 crore will pass this month from the pockets of consumers into those of sugar mills and traders

The steps the government has taken to restrain the flare up in sugar prices have been of no avail For instance on July 11 it prohibited wholesalers from selling sugar to other wholesalers in the same cities or urban areas in certain states but that announcement fell flat Thereafter the Reserve Bank tightened margin requirements on bank advances against sugar khandsari and gur stocks That too is unlikely to have any impact on the surging prices as the spurt is not due so much to stock holding with bank advances as to the demand supply imbalance and government failure to rectify that situation

In fact sugar prices had started looking up right from March last in view of reports that sugar production might fall much short of the earlier over optimistic estimate of 102 lakh tonnes Moreover, sugar mills had started pressurising the government to allow exports so that some quantity could thus be siphoned off and the consumer could then be squeezed at will As if to add fuel to fire, Sukh Ram, union minister of state for food and civil supplies announced in early April 1989 that the government had decided to allow export of one lakh tonnes of sugar immediately and another identical quantity later The sugar mills took this as the signal to start pushing up prices As if oblivious of this situation the minister again announced in parliament that it had been decided to export sugar as production was likely to be more than the 91 10 lakh tonnes achieved in the previous year

As more alarming reports of cane shortage and likely fall in sugar production continued to flow in the government cancelled its earlier decision to allow sugar exports but even this could not roll back the prices as the demand supply imbalance had become clear to every one Production by end May 1989 was actually less than that in the same period of the preceding year The crushing season is over now and production is estimated at 89 lakh tonnes against 91 10 lakh tonnes in the previous season

On the other hand the internal requirement continues to rise by about seven lakh tonnes a year On this basis domestic consumption this year can reach about 100 lakh tonnes if it is not restricted artificially to a lower level This reveals a huge gap of about 13 lakh tonnes between production and demand In this situation no half hearted steps can bring back normalcy to the sugar market

Actually the government should have placed orders for sugar imports right in March when indications were available that the production target of 102 lakh tonnes was going to be a far cry and prices had started moving up Instead of doing so it indulged in futile talk of entering the export market It is now too late to effect immediate imports even if the necessary foreign exchange is made available as prices of white sugar in the international markets have shot up with Nigeria China the USSR and some other countries emerging as big buyers Knowing full well that the government may not be in a position to import sugar in this situation the sugar mills and the trade have started urging the government to import sugar, so that the blame for further rise in prices can be laid at the door of the government

However, there is no escape from imports if sugar prices are to be kept at a reasonable level If the government means business it should right now enter into contracts for about 12 lakh tonnes of sugar for November December delivery to cool the domestic market and in the meanwhile start releasing adequate sugar from the existing stock so as to roll back prices Instead of taking any such step, the government has curtailed the monthly

sugar release and has thus played into the hands of sugar mills Not only should the cut be restored immediately, but some additional quantity should be released to discipline the market

The country started the current season with brought-in stocks of about 26 lakh tonnes This can be run down to meet the immediate demand However, unless imports are arranged to replenish the stock there may be a further rise in prices even in the coming season, once it becomes clear that the standby stock has gone down sharply and there are no arrangements to augment it

The industry has of course started clamouring for excise duty concession to start early crushing in the next season That can yield some additional production in October, but there is no guarantee that the overall production will thereby be higher Moreover early crushing may lead to low recovery It is therefore doubtful whether such a step can help the country in getting out of the present predicament A better way to achieve some tangible result lies in giving some excise concession on the incremental output to those sugar mills which produce more than 112 per cent of their current season s output

COFFEE

Troubled Brew

SERIOUS trouble has been brewing for the Indian coffee industry ever since the international coffee agreement collapsed about two months ago and the quota system was abolished The initial optimism expressed by the Coffee Board chairman that the abolition of the quota system may actually benefit India and enable the country to increase its exports by over 50 000 tonnes taking advantage of the free market situation was short lived For the prices of the commodity in the world market have witnessed a continuous decline following the abolition of quotas In spite of the frantic efforts made by the major producing countries to initiate informal talks to maintain prices at reasonable levels they soon dipped below the 110 cents a pound 'indicator price fixed by the International Coffee Organisation (ICO) when the quota system was in vogue In fact the average prices declined to as low as 88 cents a pound by the third week of July

In keeping with the global trend, prices at the export auctions in India have also nosedived For instance, prices at Bangalore's export pool auctions slumped by 38 per cent from Rs 650 to Rs 400 per 50 kg Though the official view is that the prices would recover eventually, the planters are sceptical They are currently faced with an unprecedented crisis Karnataka Planters' Association (KPA) and the United Planters Association of India (UPASI) have sounded an alarm of disastrous consequences for the country's Rs 600 crore-coffee industry and have called for immediate fiscal measures to hold the minimum release price (MRP) It is pointed out that some of the competing countries have already responded to the crisis situation by withdrawing taxes on coffee Planters representatives have advocated a similar action in India by the central and state governments They want the suspension of excise duty on coffee and slashing the current rate of purchase tax in Karnataka

India produced a record of 2 16 lakh tonnes of coffee last year but the home consumption was only 60 000 tonnes The carryover stock from last year's crop is nearly 60 000 tonnes after exporting 97 000 tonnes The current year s crop is estimated at two lakh tonnes Last year there was a carryover stock of 30,000 tonnes Thus the current season commenced with a carryover stock of 90 000 tonnes Hence the concern and anxiety of the coffee growers is understandable They are particularly unhappy at the inefficiency of the Coffee Board which has failed to respond quickly to the sudden change in the market scenario Under the quota system there was at least a ready and assured market for over one lakh tonnes of coffee to quota and non quota countries Now in a free market the competition is bound to be intense exerting a downward pressure on prices True, the quality of Indian coffee is superior as compared to many other producers but this claim will not go unchallenged in the changed circumstances Unfortunately India s overseas marketing set up is not strong and the Coffee Board has not yet formulated an international marketing strategy to deal with the changed situation Big producers like Colombia and Costa Rica had foreseen the collapse of the coffee agreement and launched an advertising campaign in the US, the biggest consumer in the world

Against this background, India will have to reconcile to lower unit value realisation in the overseas markets this year Holding the prices in the domestic market will also be difficult Only a few days before the scrapping of quotas the Indian government had set the domestic sales target by 2000 AD at 1 25 lakh tonnes, as against the current level of around 60,000 tonnes Now the country may have to achieve this target in a year or two a formidable task considering the fact that domestic consumption has stagnated around 53 000 to 60,000 tonnes a year during the last decade

TWENTY YEARS AGO

EPW, August 2, 1969

Government has been too busy with the political and legal aspects of bank nationalisation to start laying down the policy framework and guidelines for a new credit policy that would be closely integrated with the Fourth Plan Since the major part of bank credit goes to large industry and this position would not be significantly altered in the near future the new credit policy has to be closely integrated more specifically with the approach underlying the Monopolies Bill and the ideas, still very nebulous, about reform of the industrial licensing system and management of public enterprises To begin at the beginning, capital even domestic capital, has to be recognised as the most scarce commodity the allocation of which has to be determined by the most rigorous criteria Without going into a learned dispute over the relationship between credit and capital, it is necessary that the rate of interest whether on government or private borrowings, should reflect the scarcity of capital to a greater extent than it does now and that investment decisions should be made after a careful evaluation of relative priorities and profitability Investment choices have to be informed with considerations of comparative advantage in terms of international prices And the time scheduling of investments has to be arranged in such a manner as to maximise the generation of output and cash receipts within the shortest time Reforms of this magnitude requires political motivation and direction and they have to be carried out through administrative agencies Yet, the broad canvas on which the new policy has to be sketched require that persons other than politicians and administrators be involved closely in the framing of issues and formulation of directions There is need for a compact policy group comprising not more than five members drawn from outside government to assist (not just to advise) the finance ministry, Planning Commission and Reserve Bank in this work In plain language, this group should be effective (rather than conventionally high powered) and competent enough to counter both political adventurism and bureaucratic inertia in matters relating to credit planning and industrial policy Sectoral allocations of credit should however, be left to a somewhat larger body, comprising the above three official agencies, selected bankers and some professional managers of industry which should be expected to produce workable plans for implementation by commercial and development banks

STATISTICS

Index Numbers of Wholesale Prices (1981 82 100)	Weight	Latest Week (15 7 89)	Variation (per cent) Over Last Month	Over Last Year	Over March 25 1989	In 88 89++	In 87 88	In 86 87	In 85 86
All Commodities	1000	162 7	0 7	5 4	NA	6 3	5 3	5 7	7 1
Primary Articles	NA	162 9	1 1	0 1	NA	4 8	5 2	2 0	4 8
Food Articles	NA	184 2	1 9	2 6	NA	9 1	6 6	6 8	6 4
Non food Articles	NA	156 6	0 5	4 7	NA	−6 7	6 4	−10 2	- 2 3
Fuel Power Light and Lubricants	NA	155 9	0 2	3 9	NA	5 2	6 8	11 9	2 6
Manufactured Products	NA	163 9	0 7	9 0	NA	7 9	4 9	7 2	6 0

Cost of Living Index	Base	Latest Month	Variation (per cent) Over Last Month	Over Last Year	Over March 1988	In 87 88	In 86 87	In 85 86	In 84 85
For Industrial Workers	1960 100	818[1]	0 6	8 6	0 6	9 1	8 8	6 5	6 4
For Urban Non Manual Employees	1984 85 100	138[1]	0 7	7 0	7 0	9 6	7 9	7 9	8 1
For Agricultural Labourers	July 60 to June 61 100	739[1]	0 3	12 5	12 3	9 8	4 8	4 8	0 2

Money and Banking		Latest Week (30 6 89)	Variation (per cent in brackets) Over Last Month	Over Last Year	Over March 24 1989	In 88 89	In 87 88	In 86 87	In 85 86
Money Supply (M_3)		2 01 183	1 588 (0 8)	25 992 (14 8)	9 951 (5 2)	27 225 (16 7)	22 027 (15 7)	22 295 (18 9)	14 423 (13 9)
Net Bank Credit to Government Sector	Rs crore	1 05 251	1 112	10 723	8 426	12 738	12 811	12 776	6 555
Bank Credit to Commercial Sector	Rs crore	1 29 832	1 221	19 759	3 766	18 752	12 389	11 294	10 963
Net Foreign Exch Assets of Banking Sector	Rs crore	6 171	548	2 172	64	637	673	1 314	13
Deposits of Scheduled Commercial Banks	Rs crore	1 47 143	2 485 (1 7)	19 826 (15 6)	7 713 (5 5)	21 385 (18 1)	15 321 (14 9)	17 320 (20 3)	13 160 (18 2)
Foreign Exchange Assets**	Rs crore	6 075	496 (8 9)	693 (12 9)	233 (3 7)	- 830	508	604	+ 197

Index Numbers of Industrial Production (1980 81 100)	Weights	Latest Month (March) 1989	Averages for* 1988 89	1987 88	Variation (per cent) In 1988 89	In 1987 88	In 1986 87	In 1985 86
General Index	100 0	208 1	181 0	166 4	8 8	7 3	9 1	8 6
Basic Industries	39 4					5 6	9 2	6 8
Capital Goods Industries	16 4					16 0	18 2	10 6
Intermediate Goods Industries	20 5					4 7	4 4	7 5
Consumer Goods Industries	23 6					7 4	7 1	12 5
Durable Goods	2 6					7 6	18 9	18 7
Non Durable Goods	21 0					7 4	4 9	11 5

Note The index numbers of industrial production by use based classification are not available beyond March 1987

Foreign Trade	Unit	Latest Month (Feb 89)	Cumulative for* 1988 89	1987 88	1987 88	1986 87	1985 86	1984 85	1983 84
Exports	Rs crore	1 883	17 876	14 033	15 719 (25 1)	12 569 (15 4)	10 895 (− 7 2)	11 744 (20 2)	9 771 (11 0)
Imports	Rs crore	2 303	25 366	20 256	22 343 (10 6)	20 201 (2 8)	19 658 (14 7)	17 134 (8 2)	15 831 (10 8)
Balance of Trade	Rs crore	420	7 490	6 223	6 624	−7,632	− 8 763	5 390	6 060

Employment Exchange Statistics	Unit	Latest Month (Jan 89)	Cumulative for* 1989	1988	1988	1987	1986	1985	1984
Number of Applicants on Live Registers (as at end of period)	Thousand	30 195	30 195	30 019	30,050 (−0 7)	30 247 (0 4)	30 131 (0 4)	26 270 (0 4)	24 861 (7 9)
Number of Registrations	Thousand	514	514	469	6 028 (10 3)	5,465 (−0 2)	5 473 (−6 0)	5,824 (−6 4)	6 220 (8 0)
Number of Vacancies Notified	Thousand	40	40	45	542 (12 7)	621 (0 8)	616 (−10 0)	683 (−3 4)	707 (−15 5)
Number of Placements	Thousand	26	26	35	340 (−5 6)	360 (1 1)	356 (−8 2)	388 (−4 7)	407 (−16 3)

Income	Unit	1987 88@	1986-87++	1985-86++	1984-85	1983 84	1982 83	1981 82	1980-81
Gross Domestic Product (current prices)	Rs crore	2 93 306	2,60 680	2 33 305	2,06 732	1,86,406	1 58,851	1 42,876	1 22,226
Gross Domestic Product (1980-81 prices)	Rs crore	1 70 363	1 64 441	1 56 083	1 48,955	1 44,391	1 33 830	1,29 776	1,22,226
Per Capita Income (1980-81 prices)	Rupees	1 918	1 892	1 836	1,791	1,781	1 687	1,686	1 627

* For current year upto latest month for which data are available and for corresponding period of last year
** Excluding gold and SDRs + Upto latest month for which data are available.
++ Provisional data @ Quick estimates
Notes (1) Superscript numeral denotes month to which figure relates e g superscript[1] indicates that the figure is for January and so on
(2) Figures in brackets denote percentage variation over previous period

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Mrs Sandra R Shroff
President

Bombay 1 1 72 GBPSD) and Bomb
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GREETING CARDS ORDER FORM

BHARAT GEARS

Recovering from Setback

BHARAT GEARS has suffered a setback in its performance during the 18 month period ended January 31 1989 Equity dividend paid at 12 5 per cent for 1986 87, is being skipped Turnover at Rs 37 12 crore against Rs 21 95 crore for the previous 12 months showed a growth on annualised basis but the outcome was a decline in gross profit from Rs 2 31 crore to Rs 1 44 crore After depreciation there was a deficit of Rs 74 lakh against a surplus of Rs 84 lakh previously Profit margins dwindled due to rise in costs Interest and other financial charges took away a much bigger slice of the income

The current year holds out promise of an improvement in the working results In view of the management s strategy to diversify the company s market base by exporting about a quarter of its sales volume the company embarked on a substantial gear development programme which resulted in a loss of productive capacity during the year This capacity will however be available for use in the current year which is expected to result in an increase in sales volume of 20 per cent

The domestic market for automotive gears which was sluggish in the beginning of the period improved towards the close of the year and this trend is continuing in the current financial year The company's main customers in the segment are agricultural tractor and truck/bus manufacturers who are witnessing an unprecedented boom in their business This boom will help the company to achieve its targeted increase in sales volume

Export of gear products recorded a substantial growth of over 300 per cent over the previous year on annualised basis In the 18 month period gears worth Rs 700 lakh were exported to USA UK and western Europe on which export incentives of Rs 287 lakh were earned The company has entered into a long term agreement with a large manufacturer of truck bus axles in USA for supply of axle gears sets valued at $ 6 4 million per annum for a period of five years The total export potential for the company s products is estimated to be $ 10 million per annum

The gear box project set up in technical cum financial collaboration with Zahnradfabrik Friedrichshafen (ZF) of West Germany commenced commercial production in December 1988 The product has been well received as an original equipment During the last financial year the company supplied 238 gear boxes worth Rs 48 lakh to an OEM in India and expects to supply another 1 500 gear boxes by the end of current financial year A ZF gear box modified for application in a Japanese LCV manufactured in India under licence is under trial overseas and clearance is expected to be received before the year end With this, the company expects to reach a sales volume of 5 000 gear boxes next year

The furnace division executed contracts amounting to Rs 151 lakh during the period and has contracts worth Rs 330 lakh in hand The company has been awarded a contract against stiff international competition for supply to the World Bank funded modernisation projects of Indian Railways The gear project of Raunaq Automotive Components promoted by the company in the joint sector with PICUP has already been commissioned and its products—gears for two wheelers agricultural tractors and trucks -have received encouraging response from the trade as well as OEMs

The Week s Companies (Rs Lakh)

		Bharat Gear		HCOM Orient		Garware Wall Ropes	
		Latest Year 31 1 89	Last Year 31 1 87	Latest Year 31 3 89	Last Year [illegible]	Latest Year 31 3 89	Last Year 30 9 8
Paid up Capital		433	431	129	129	284	96
Reserves		881	963	596	30	73	5 5
Borrowings		2312	2030	564	48	1037	604
of which Term Borrowing		1606	1606	392	196	3 0	241
Gross fixed assets		3444	2931	856	469	1647	1261
Net fixed assets		2631	2117	665	163	968	765
Investments		14	14	91		762	112
Current liabilities		1060	8 6	282	43	889	587
Current assets		1980	1318	812	163	1758	983
Stocks		721	72	411	79	893	545
Book debts		25	825	232	25	313	281
Net sales		3 12	219	2801	5	3653	1660
Other income		42	84	79	5	476	189
Raw material costs		1667	995	1756	14	2538	1175
Wages		677	369	79	38	191	101
Interest		446	229	85	19	176	75
Gross profit (+) loss ( )		144	231	493	95	471	237
Depreciation provision		215	131	69	36	142	87
Tax Provision			16	55	41	45	50
Net profit (+) loss( )		74	84	369	218	234	98
Investment allowance reserve				9		45	
Transfer to reserves			47	283	1 9	137	79
Dividend							
Amount	P		4	–	–		–
	E		38	77	39	47	19
Rate (per cent)	P		15	–		–	
	E	–	12 50	60	30	24	20
Cover (times)		–	2 10	4 80	5 60	4 98	5 16
Ratios (per cent)							
Gross profit/sales		3 88	10 52	17 60	22 26	11 52	14 28
Net profit/capital employed		–	6 02	50 89	50 00	27 66	24 02
Inventories/sales		19 42	33 12	14 67	21 06	24 44	32 84
Wages/sales		18 24	16 81	2 82	2 87	5 23	6 08

* 18 months

GARWARE WALL ROPES

New Export Markets

GARWARE WALL ROPES has produced encouraging working results for the 18 month period ended on March 31 1989 The directors have proposed payment of a 24 per cent dividend on the capital doubled by a one for one bonus issue as against 20 per cent paid for the previous 12 months on the old capital The rights shares issued at a premium of Rs 20 per share are eligible for dividend for the period during which such capital was paid up

Production reached 8 481 tonnes as against 4 795 tonnes previously recording an annualised growth of 18 per cent Sales at 8 575 tonnes against 4 532 tonnes showed 47 per cent growth on the same basis In terms of value sales brought in Rs 36 53 crore against Rs 16 60 crore in the preceding 12 month accounting year and yielded a gross profit of Rs 4 21 crore against Rs 2 37 crore These figures show a contraction of profit margins Net profit stood at Rs 2 34 crore (Rs 0 98 crore) The enhanced distribution was covered 4 98 times by earnings as against 5 16 times previously

Despite severe international competition the company continued to penetrate into newer markets and was able to achieve exports of Rs 8 08 crore as against Rs 2 68 crore in the previous year The new 100 per cent export oriented unit named as 'Garware Wall International a division of Garware Wall Ropes, has commenced its commercial production on May 15, in line with the planned schedule With a comfortable order book position in hand and continuous efforts made by the company for enlarging its export potential the directors are confident of making this new unit

successful The company also received recognition as registered 'Export House' enabling it now to undertake exports of third party products for which it has been receiving regular export enquiries With various incentives announced by the central government to the Export Houses, and the encouraging export performance of the company so far, management is confident of further broad-basing its exports

The company has obtained a letter of intent for the manufacture of polypropylene multifilament yarn to the extent of 2 000 tonnes per annum and necessary steps are being taken to convert the same into an industrial licence for setting up a separate fibre division of the company The management foresees a good potential for this product and is confident of commencing commercial production in the next financial year A research and development plant for developing indigenous technology for this has already been installed, successful trial runs have also been taken and the laboratory results are quite encouraging

FICOM ORGANICS

Expansion Completed

FICOM ORGANICS has turned in good financial results for the 18 month period ended March 1989 The directors have recommended a final dividend of 22 per cent making a total of 60 per cent for the period against 30 per cent paid for the previous 12 months Turnover at Rs 28 01 crore was higher by 41 per cent on an annualised basis as compared to Rs 13 25 crore in the previous year and total production increased by 32 per cent on the same basis to 7 985 tonnes from 4,040 tonnes Profit margins, however shrank and gross profit came to Rs 4 93 crore against Rs 2 95 crore Net profit stood at Rs 3 69 crore (Rs 2 18 crore) to provide an earnings cover of 4 80 times for the enhanced distribution as against 5 60 times previously

The company exported 1 173 tonnes of malathion technical, which was about 63 per cent of malathion sales The company completed erection of its plant facilities for further expansion of alkyl phenols (that is dedocyl phenol and nonyl phenol) capacities With this expansion, total alkyl phenol capacities increased to 10,000 tonnes per annum Commercial production from the expanded plant commenced on March 27, and overall production is also well stabilised The company also entered into a technical know-how agreement with the National Chemical Laboratory, Pune, for the development of process know-how for the manufacture of D-phenyl glycine. Development work is also in progress on this and other projects in the R and D department The company is also evaluating avenues to take up manufacture of some more chemicals

NOTICE

It is hereby notified for the information of the public that **MUKAND LTD** proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under sub-section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the establishment of a new undertaking/unit/division Brief particulars of the proposal are as under

1	Name and address of the Applicant	**MUKAND LTD** Lal Bahadur Shastri Marg Kurla Bombay 400 070
2	Capital structure of the applicant organisation	Authorised Capital Rs 25 00 crores Paid up capital Rs 14 73 crores
3	Management structure of the applicant organisation indicating the names of the Directors including Managing/Wholetime Directors and Manager if any	The Board of Directors consists of Shri Viren J Shah Chairman & Managing Director Shri Ramkrishna Bajaj Vice Chairman Shri D S Mulla Shri J P Thacker Shri Rahul Bajaj Shri D S Mehta Shri Partap Kewalramani Shri D K Lodaya Shri Rajesh V Shah Shri Niraj Bajaj Shri Vinod S Shah Shri Sukumar V Shah
4	Indicate whether the proposal relates to the establishment of a new undertaking or a new unit division	Proposal relates to manufacture of new articles by the existing undertaking
5	Location of the new undertaking unit division	Taluka Murud District Raigad in the State of Maharashtra
6	Capital structure of the proposed undertaking	Not applicable
7	In case the proposal relates to the production storage supply marketing or control of any goods article indicate	
	(i) Names of goods/articles	Hot rolled strips/coil sheet of various [illegible]
	(ii) Proposed licensed capacity	50 000 tpa
	(iii) Estimated annual turnover	Rs 2400 [illegible] full operation
8	In case the proposal relates to the provisions of any service state the volume of activity in terms of usual measures such as value income turnover etc	Not applicable
9	Cost of the project	Rs 120 00 crores
10	Scheme of finance indicating the amounts to be raised from	The cost of the project will be met by internal generation and loans from financial institutions

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this Notice intimating his views on the proposal and indicating the nature of his interest therein

Dated this 1st day of August 1989

(PC CHHAJLANI)
SECRETARY

Calcutta Diary

AM

The Indian prime minister has readjusted his sights The nobility cannot be saved in Sri Lanka, it is too late for that So he might as well use the occasion to effect a little extension of his empire, and annex the island's north-eastern beachheads

RENDER even unto the pretender of a Caesar the things that belong to him The Greek tragedy in Sri Lanka is the denouement of a causality which admittedly is internal to that nation Why deny however our prime minister the role of the accidental *deus ex machina* he has come to play? Even without him Sri Lanka would perhaps have been destroyed as a country but hallelujah has not he speeded up the process?

Please consider as the cliche says the objective circumstances Sri Lanka is a lush rich island Outwardly it has no reasons to go under The population barely touches twenty million The island grows enough rice to feed the people and has plenty of fish and livestock Tea rubber and copra offer open ended prospects of export earnings And the island's silvery coast with vast stretches of calm beguiling water all around should make the tourists flock in their thousands The Sri Lankans besides are amongst the most charming people to come across easy going friendly intelligent There is also so little of the bigotry of diverse kinds which marks their immediate northern neighbours

Were external assistance not forthcoming or not forthcoming on a sufficient scale then too Sri Lanka should have grown at a fast enough rate There has actually been no dearth of foreign funds Till the early eighties the island country did maintain fairly satisfactory progress and certainly enjoyed a much higher rate of economic growth than what obtained in the so called third world countries Partly on account of the exigencies of the parliamentary democratic process it evolved through the fifties and the sixties a sensible package of public policies, with stress on elementary education and public health and nutrition projects Its programme for expansion of literacy has been about the most enlightened among the south Asian countries, the administration has been trained to devote a great deal of resources to both preventive and curative health care measures, and much before the World Bank discovered the *cause celebre* of basic needs and poverty eradication, extensive food subsidies were introduced to lessen the burden of daily existence for the country's poor Each of these measures eminently qualified to be dubbed as 'populist', but in their totality they fashioned an improvement in the general quality of life which stood out in the morose climate of south Asia

All this could still only establish the point that Sri Lanka was an *enlightened* oligarchy and not obliterate the fact of its being an *oligarchy* Farm real estate as well as non agricultural wealth have been extremely closely held in the island Since the average living standard was much higher than in India, the grosser kinds of social exploitation common in this country has not been observable over there But that has not been enough to stop history's remorseless march Once social awareness spreads the crise of deprivation sprouts roots according to its own style Both absolute scales of measurement and cross country comparisons then lose their relevance domestic relativities take over Faithfully reflecting the structure of land distribution Sri Lanka's political set up in the immediate post independence period too provided the hint of a closely held arrangement The British were habituated to deal only with the landowning class who also contributed the comprador elements in the trade and processing collaborations that came up To nobody's surprise it is to this class the British handed over charge when they left the island In the beginning the ruling political group the United National Party was almost exclusively a cartel of cousins and very near ones As happens in all feudal polities the cousins soon learnt to grow distant Thus it was that Solomon Bandaranaike drew away from the United National Party and opened his separate outfit the Sri Lanka Freedom Party For the populace despite their receiving some morsels of incidental benefit because of the happenstance it was nonetheless tweedledum substituting tweedledee the basic social correlates remained unchanged Those handful amongst them who via intellection realised that what obtained was a precarious unstable equilibrium could not transgress the boundary conditions imposed by their own class inheritance Whether it was the Trotskyite Lanka Sama Samaja Party or the more conventional Communist Party their leaders and pamphleteers did not spring from a different social category They happened to be ideologically disoriented in terms of property alignments however they continued to belong where the UNP and the SLFP belonged Their credibility was therefore heavily circumscribed

By a quirk of fate, in the sixties, these theses spinners found themselves in government in alliance with the SLFP The nationalisation programme they embarked upon introduced some colour to the picture But the texture of social realities remained unchanged Regular remittances to foreigners were now substituted by once over compensatory transfers The compradors nonetheless were now inside the administration, the charade of nationalisation hardly affected their material interests If anything it increased their bargaining capability *vis-a- vis* the working class Certainly it increased their profligacy The distant cousins, mostly located in the two principal parties, kept indulging in their petty and not-so-petty jealousies For them, the fundamental point was still to live it up

The majority of the Sinhalese speaking populace were left out of the arrangement because they constituted the base, which is supposed only to provide support, not share Apart from a thin stratum of those who managed to infiltrate into the civil service the Tamils too were left out The Tamils in any case did not quite fit into the established class hegemony Those amongst them who went in in the last century of course mostly went in as indented labour Those who had been around Jaffna and Vavuniya and Batticoloa for nearly five centuries did not ever begin to belong either They turned out to be the perennial outsiders It was thus a two-bit misfortune Even those who made money from trade could not buy their way into the Sinhalese plutocracy More because of the accidental barrier of separate religious rituals than on account of the linguistic

Just Published

Bombay Textile Labour
Managers Trade Unionists and Officials, 1918-1939

by
Dick Kooiman
Demy 8vo 1989 114p Rs 100

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2/6 Ansari Road Daryaganj
New Delhi 110002

divide they continued to be differentiated from the Sinhalese speaking proletariat too The haughtiness carried south from across the Palk Strait perhaps partly helped to perpetuate the divide

History marches and it marched in its own manner in Sri Lanka through the post independence decades The island's comfortably placed whichever political party they formally belonged to did not have a clue to what was happening either in the countryside or in Colombo outlying shantytown When the Janatha Vimukti Peramuna struck in 1971 Sirimavo Bandaranaike panicked Her reaction was not that of a besieged individual or of just one political party played into a corner it was that of the entire Sri Lanka ruling class Sirimavo appealed to Indira Gandhi it was a consolidated class appeal If instead of her Junius Jayewardene had been in charge at that particular moment he would have behaved exactly in the same way Jayewardene proved the point sixteen years later the IPKF went in not to discipline the LTTE who are devoid of any class ideology but to save the oligarchs from the revolutionary insurgency unleashed in the island's south

This underlies the dilemma Sri Lanka is currently facing The oligarchy has crumbled within the United National Party as it has in the SLFP too The plutocrats in the island are running for cover The Premadasas and the Kumaratungas plain commoners could come up in the conventional boss parties because the bosses are frightened beyond measure A plebeian Premadasa or an upstart like Vijaya Kumaratunga who was gunned down last year the plutocrats tried to convince themselves might somehow subdue JVP firepower and save the day for them It is a bitter comedown for them But these are difficult times in surrectionary times whoever can roll the revolution back and protect their property rights deserves to be acclaimed as president or prime minister Humour the poor bribe them a little if that would enable you to cling to your privileges -and to your property

Such calculations however do not impress the dull boys from the World Bank and the International Monetary Fund Their political acumen has been honed in the blunt school of Ronald Reagans and Bill Caseys and their sense of humour belongs to the world of the *Readers Digest* They have read only a single script Subsidies it has been dinned into them in downtown Washington are bad and subsidies to the poor are particularly bad They have been determined not to deviate from the line Social realities underlying an insurrectionary situation mean little to them The Sri Lanka government has as a result been confronted with a nightmarish problem for the past several years running the defence budget has continued to soar but with the Bank and the Fund enforcing the regime of the tight leash fiscal dispensations for the poor have actually been further cut back even as prices have mounted As a natural process the support base of the Janatha Vimukti Peramuna has expanded at a furious pace during the past half a dozen years

Sri Lanka's internal compulsion do not impress the Indian prime minister either The deep call to the deep the deep also responds to the deep The quality of response is bound to be different when the appeal is from the non deep Indira Gandhi moved her navy and her commandos because the frantic appeal was to save a class hegemony the class to which she herself belonged Her son arranged to fly in troops two seasons ago because Junius Jayewardene once more had appealed to him on behalf of the ruling oligarchy, what could be more proper than the oligarchs of the region protecting each other looking after each other's welfare? But the Indian prime minister now feels betrayed The Sri Lankan ruling class did not avail of the opportunity the IPKF provided to them They caved in to the riff raff Junius Jayewardene is gone they have installed in his place as their president a commoner who lacks in breed and manners and does not quite belong Nothing could be more disappointing

Ranasinghe Premadasa is making one last ditch effort He is still trying to save the system which has been kind to him as an individual If only the IPKF would now *withdraw* he could he thinks still extricate the existing social order from certain death The Indian prime minister is unmoved It is no longer the same thing as it was two years ago the Sri Lanka oligarchs are a burnt out case they have replaced a Junius Jayewardene by a miserable Premadasa They are beyond redemption therefore why bother to spare a thought for them?

The Indian prime minister has readjusted his sights The nobility cannot be saved in Sri Lanka it is too late for that It is a pity but something still needs to be salvaged from the Sri Lanka fiasco He might as well use the occasion to have a little extension of his empire, and annex the island's north eastern beachheads Let there be chaos and revolution in the rest of the country the IPKF will see to it that one corner of Sri Lanka receives the quintessential benefits of India's democratic process Why if things proceed swimmingly one might even consider introducing the Jawahar Rozgar Yojana over there vacuity should never set on the Indian empire

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Detention of Legislators

A G Noorani

Our legislators have been aggressive in claiming privileges against the people, supposedly their masters, but they have been quiescent in asserting their privileges against the ministers responsible to them However, the irony may be more apparent than real

STRANGELY enough while our legislators have been very assertive in claiming imaginary legislative privileges against their own masters the citizens they have been quiescent in claiming their real privileges against their servants the ministers responsible to them The irony is more apparent than real The ruling party controls the legislature and our legislators have not developed the tradition of viewing such matters independently on principle

On May 12 Yashwant Sinha of the Janata Dal raised in the Rajya Sabha a breach of privilege question against the Chandigarh administration on his arrest and detention in the city recently He regretted that home minister Buta Singh did not do anything about this deliberate contempt on the face of the administration The deputy chairman informed the house that the secretary general of the Rajya Sabha was looking into the matter Dipen Gosh CPI(M) pointed out that this was a serious matter A member of parliament had been arrested and the minister concerned at the centre had not even reacted to it for two months

L K Advani BJP said the issue had been raised in the house three times Still nothing had been done In fact the arrest of a member is such a serious matter that in the normal course the chairman should have taken *suo motu* notice of it Advani demanded that the Chandigarh administrator should be called before the privileges committee for explanation

This is not a matter which can be treated lightly In India the law affords little protection against arbitrary imprisonment The governor of Punjab S S Ray and the central ministers have shamelessly suggested that Parkash Singh Badal would be released from prison if he changed his views on the present situation in Punjab What if the regime of the day were to arrest opposition legislators and rush through repressive legislation as was done during the Emergency?

In 1962 the Madras High Court observed in the case of K Anandan Nambiar "We, however, readily concede the contention that if a party in power detains a political opponent or continues his detention with the *mala fide* object of stifling opposition and prejudicing the party to which he belongs in a forthcoming election *there would be an undermining of the basis of our constitution* (emphasis added) Yet the Court held that Nambiar could not be allowed to attend the sittings of the state assembly since he had been detained under the Preventive Detention Act The Supreme Court took the same view in Anand in Nambiar's case in 1965 It reaffirmed this view in 1975 in Indira Gandhi's election case when the legislation validating her election was challenged on the ground that parliament had been robbed of its constitutional composition by reason of the large scale arrest of opposition MPs The court simply followed its ruling in 1965 and that ruling blindly followed the case of Captain Ramsay in 1939 when the Committee of Privileges of the House of Commons declared the law in these terms 'The precedents lend no support to the view that the members of parliament are exempted by privileges of parliament from detention under Regulation 18B of the Defence (General) Regulations 1939 Preventive arrest under statutory authority by executive order is not within the principle of cases to which the privilege from arrest has been decided to extend To claim that the privilege extends to such cases would be either the assertion of a new parliamentary privilege or unjustified extension of an existing one

The truth is that the Committee of Privileges of the Commons did not act judicially in that case at all but as a political body surcharged with the understandable fever of the war Few sympathised with Captain Ramsay He was widely suspected of being a fascist collaborator The clerk of the House of Commons the redoubtable Sir Gilbert Campion cited precedents Those were the cases of obstructive Irish MPs some of whom had not taken their oaths or their seats in the house Terrorism in Ireland and obstructionism coupled with partisanship produced a bad precedent

The precedent was followed in 1939 in Britain and in 1965 and 1975 in India However the report of the Committee of Privileges in 1939 was *not examined* by the court If it had been instead of a passage in May's *Parliamentary Practice* based on it it would have been found that the home secretary had stated on oath before the committee that Captain Ramsay had not been detained for anything said in parliament He had also affirmed on affidavit before a court of law that he was personally satisfied as to the grounds of detention The report observed "If the real ground of internment had been that the member was likely to prove an embarrassment to the executive in parliament no such affidavit could have been sworn without the commission of gross perjury"

Can anyone doubt for a moment that such embarrassment to the executive in parliament is the very reason why MPs are arrested in India? What is more, in India unlike in England during the height of the war persons are detained not on the personal satisfaction of the home minister accountable to parliament but of district magistrates and commissioners of police

Despite the cosmetic changes made by the 42nd and 44th Amendment to the Constitution the law of parliamentary privileges is frozen to what British law was on January 26 1950 Article 105 of the Constitution originally reads thus

> (1) Subject to the provisions of this Constitution and to the rules and standing orders regulating the procedure of parliament there shall be freedom of speech in parliament
> (2) No member of parliament shall be liable to any proceedings in any court in respect of anything said or any vote given by him in parliament or any committee thereof and no person shall be so liable in respect of the publication by or under the authority of either house of parliament of any report paper votes or proceedings
> (3) In other respects the powers privileges and immunities of each house of parliament and of the members and the committees of each house shall be such as may from time to time be defined by parliament by law and, until so defined shall be those of the House of Commons of the parliament of the United Kingdom and of its members and committees at the commencement of this Constitution

The court therefore, has in each case to consider the rights of an MP in Britain It is well settled that he enjoys freedom from arrest in civil cases but none so far as criminal proceedings go

The 42nd and 44th Amendments delete the reference to the House of Commons but retain the legal position intact British law of privileges prevailed in 1952 in Deshpande's case The committee of

privileges of the Lok Sabha characterised preventive detention as being "in its essence as much a penal measure as any arrest by the police or an order of the magistrate on suspicion of the commission of crime

This is utterly wrong In 1969 the Supreme Court knocked the bottom out of this doctrine It said

> It must be emphasised that a detenu is not a convict Our Constitution notwithstanding the broad principles of the rule of law equality and liberty of the individual enshrined therein tolerates on account of peculiar conditions prevailing legislation which is a negation of the rule of law equality and liberty
>
> But it is implicit in the constitutional scheme that the power to detain is not a power to punish for offences which an executive authority in his subjective satisfaction believes a citizen to have committed Power to detain is primarily intended to be exercised in those rare cases when the larger interest of the state demands that restrictions shall be placed upon the liberty of a citizen curbing his future activities The restrictions so placed must consistently with the effectiveness of detention be minimal

Why, then should not a legislator be permitted to attend the proceedings of the legislature even if he be under preventive detention? Besides Article 105 is controlled by the fundamental right to personal liberty embodied in Article 21 of the Constitution If this be the law in relation to an MP or MLA in preventive detention the wrong done to Yashwant Sinha is graver still

POTOMAC MUSINGS

Craving for the Philosopher's Stone

Deena Khatkhate

Even when all his diagnoses and prognoses have been proved wrong, the economist can still be trusted to provide ex post facto rationalisations for every new economic development, however contrary to his earlier expectations it might be A case in point is the economist's continuously shifting position on what constitutes an appropriate international exchange rate system

LOOKING at the advice economists of all hues are dishing out to all and sundry you may be forgiven if you call them pests And yet you cannot avoid them They are a draw at every cocktail party You can bank on them to razzle dazzle While a loquacious economist is going full steam in a crowd a quiet but scholarly physicist may be wanting to say how the fusion of atoms could be an answer to the world's energy shortage or a biologist may be itching to explain how genetic engineering could banish many dreadful diseases or render barren land fertile But the economist will carry the day The trail blazing scientist may change the world one day but he cannot sell himself he has no audience The economist doesn't care a dime for the world he creates his own universe with his own brand of laws, but he never has to worry about an audience He can talk about food prices, jobs, the stock market and about politicians and businessmen, whom he can impress with his bag of tricks The immediacy of what he says is the real thing for you and me If his diagnosis and prognosis go haywire, he can shelter behind the plea that objective conditions have changed He can change his advice and theories as easily as a chameleon can change its colours

Why the snide remarks about the poor economist, you may ask The provocation is the recent behaviour of the dollar exchange rate We have been fed on the lore of market forces determining exchange rates If you stop interfering with people's decisions of what to produce and what to buy everything will be hunky dory We will be in a state of Pareto optimality After the second world war, the wiseacres got together at Bretton Woods and set up a par value system Exchange relationships between currencies were ordained Were they market determined? You should not ask such silly questions They were the equilibrium exchange rates You could alter them only if you perceived a 'fundamental disequilibrium' What is this animal, 'fundamental equilibrium'? Nobody knew and nobody cared, but everyone believed it existed Fundamental was what was not non-fundamental and disequilibrium was what was not equilibrium This knowledge was enough for you to decide if the exchange rates needed to be changed Look at the balance of payments position and, if it is in deficit, see whether the deficit is sustainable What on earth is this notion of sustainability? See whether the deficit is filled by the normal inflow of autonomous capital If you are still in doubt about what is normal stop playing Socrates and change the exchange rate at once

The moment of truth arrived in 1971 when the whole edifice of international exchange rates came crashing down But the indefatigable economist would never say "nay Floating exchange rates are the panacea he thundered If you follow the inflation differentials among nations, you will know what value the currency of any country will take on The resulting exchange rates together with the differentials in interest rates will then determine the capital flows across nations But once again the floating exchange rates regime belied everything the economist had been preaching Capital did not follow the course charted by interest rate differentials In fact it happened the other way round Interest rates and exchange rates followed capital flows The chaotic international economic order became more chaotic The major industrial powers thought of orderly conditions in the exchange markets only when they were sucked into a recession But the economist is never assailed by self doubt He was back with a new prescription economic co ordination Exchange rates are the penumbra and fiscal and monetary policies are the umbra If countries follow the right fiscal and monetary policies exchange rates will move along the equilibrium path None ever asked the economist whether co-ordination of policies did not

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The following amendment may please be noted

Sl No 9 Cost of the project
Instead of Rs 668 1 million read 66 8 million

Sl No 10 Scheme of finance indicating the amounts to be raised from each source
i) Issue of debentures Rupee loan instead of Rs 369 million read Rs 3F 5 million
ii) Instead of promoters contribution Rs 132 4 million read Equity Capital and preference shares on right basis internal cash accruals Rs 133 6 million

Total instead of Rs 668 1 million read Rs 667 8 million

For RELIANCE PETROCHEMICALS LIMITED
Rohit Shah
(Assistant Company Secretary)

Registered Office Village Mora Post Bhatha
Surat Hazira Road Dist Surat 394 510
Dated 2 8 1989

offend the market principle. If the exchange rates veer away from the levels dictated by the 'fundamentals', the major industrial countries—be they G-5, G-7 or G 10, depending upon who can get in—should allow intervention by their central banks to stabilise it within a 'target zone Mr Fundamental is thus back in the economist's circus ring, with the difference that now he has become a friend unlike in the era of fixed par values Despite invoking this personage time and again no economist has ever succeeded in identifying him The economist just believes that he exists in some form somewhere, pulling the strings in the puppet show of exchange rates gyration

But the economist's predicament has once again become acute with the recent soaring of the US dollar to new heights The deficit in the US balance of payments is large and widening the US budget deficit is also stubbornly large and inflation is rising All these should signal depreciation of the dollar Imagine what would have happened if these things had occurred in some unfortunate developing country It would have been promptly pulled up by the international organisations and the economists and advised to devalue But how can you ask a country which is a reserve currency country to follow this theoretical prescription So the economist is left with an *ex post facto* rationalisation Martin Feldstein former chairman of the Council of Economic Advisors under president Reagan who had all along advocated elimination of economic co ordination of policies by the industrial countries pronounced that the dollar's rise is bewildering The market is as far as I can see irrational in terms of the fundamentals and not driven by any particular economic view since its theory of how to rationalise dollar swings seems to change every few months' The learned professor could not explain why exchange market analysts who had been saying that inflation was good for the dollar because it would induce the Federal Reserve to raise interest rates increasing the return on dollar investments had now switched to saying the weakening of inflationary pressures was positive for the dollar because rising prices are bad for currencies These befuddled professors may have learned more from the magnificent Impossibility Theorem' of Kenneth Arrow which got him the Nobel Prize But it is futile to expect the lofty economic theorists to confess their ignorance, if they did they would be an extinct species

And yet the poor developing countries cannot escape the omniscient economist and his advice to devalue when they run payments and fiscal deficits and experience inflationary pressures If devaluation does not succeed, they will be told that their domestic fiscal and monetary policies are at cross purposes with their exchange rate policies Poor countries do not have the luxury of co-ordinating their economic policies with those of other countries rich or poor With the rich countries, such co ordination amounts to unequal exchange and is therefore out of bounds And with other poor countries what purpose is anyway served by an alliance of mendicants? Hence developing countries deserve not co ordination but coercion They can be asked to auction foreign exchange or worse float their currencies And if disaster strikes them as has happened to some countries in recent times the economist can attribute it to some other policies pursued by these countries In the army if a general loses a war he is cashiered but the economist has no such fear

INSTITUTE OF SOUTHEAST ASIAN STUDIES

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Applications are invited from suitably qualified persons for a Research Fellowship in South Southeast Asian Relations tenable at the Institute of Southeast Asian Studies Singapore in 1989

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Paranoia in Beijing

GPB

The students asking for prime minister Li Peng's resignation was in all probability the main factor which caused the paranoia in Beijing. Deng and his comrades must have seen nightmares of the Cultural Revolution when the slogan was 'bombard the headquarters'.

TWO general secretaries sacked in a span of three years speaks volumes about the nature of the counter revolutionary rebellion in China. Hu Yaobang lost his job because the students had organised a movement which spread to thirteen cities of China. Now Zhao Ziyang has been dismissed. He may also be put on trial.

It is clear that there has been students unrest in China for over three years now. The broad contours of their demands have been quite explicit. These demands have been a reaction to the Cultural Revolution and the strong anti intellectualism which it bred. Both Deng Xiaoping (and his comrades) and the students intellectuals have been coming to terms with the rather torrid legacy of the Cultural Revolution. It is a paradox of the Chinese situation that for the first time in many decades intellectuals and intellectual pursuits have been given their due place. This has happened after 1978 and after Deng Xiaoping had finally emerged as the supremo in the Chinese power structure. When Deng talks of revolution he is talking of an intellectual and technological revolution. He is also talking of a modernist revolution.

When the new economic policy was introduced in the Soviet Union Lenin talked of a retreat. Deng has carefully avoided that language. It is not possible to describe what he has been doing as a historical compromise, a temporary set back, for the simple reason that Deng Xiaoping does not use that language. He has in fact ruled out the possibility of the current collaborationist course being reversed in the next fifty years. In his speech on June 9 to the PLA commanders, Deng talked of revamping education. The time limit obviously on the minimum side that he specified was sixty to seventy years. The proposed education programme would concentrate on "plain-living" and obviously on the economic policies that were first introduced nearly eleven years ago.

In the meanwhile, the Chinese leadership has tacitly acknowledged that the army-people interaction at the Tiananmen Square on June 4 did not demonstrate what Deng claimed in his June 9 speech—that "people cannot but recognise that the PLA are the sons and brothers of the people". Li Peng, the Chinese premier, has claimed that the PLA ran out of teargas on June 4. He also further stated that the army ran out of rubber bullets and had to use real ones. Of course, the official Chinese position is and has been that the students attacked the army. Deng in fact instructed the commanders of the army that they should "make sure that our weapons are not taken away from us". The PLA commanders allowed their weapons to be taken over. But not all weapons seem to have been snatched. Some soldiers had their weapons but what they did not possess was the supply of rubber bullets so they fired the real ones. So a few people died. The Chinese authorities say only twenty three died. Hong Kong papers not all of whom can be relied upon (certainly not *Ming Bao*) put the figure in thousands. Now American newspapers have computed the figure of dead between four hundred and eight hundred.

Even Deng Xiaoping does not deny that students have been killed. In his speech on June 9 Deng Xiaoping said 'the US berates us for suppressing students. But when they handled domestic students unrest and turmoil, didn't they send out police and troops, arrest people and shed blood? They were suppressing students and the people, but we are putting down counter revolutionary rebellion'. He does not deny blood shed and killings. All that he says is that whereas the Americans were killing people, his comrades have killed counter revolutionaries. In short, you can kill provided you are careful to brand your victims as counter revolutionaries.

Deng Xiaoping's message is clear. What the party leadership does is only a compromise, what the students were indulging in was a counter-revolutionary rebellion. Deng has even tried to bring in historical determinism in his address. He said that what has happened "was bound to happen and was independent of man's will". It is interesting that Deng is talking this language. If the "counter revolutionary storm" was inevitable what policies or what economic realities made it so? Lack of "political work and education" apparently resulted into this storm independent of human will. 'Upholding four cardinal principles and persisting in the open policy and reforms" that the CPC has held dear since the 13th Party Congress were right. And yet the storm burst out into the open.

Deng has also said that the people who had gathered at the Tiananmen Square had two main slogans. To overthrow the communist party and topple the socialist system. What is the evidence for it? Deng has not cited any in his speech. The students' demands either of 1986 or of 1989 do not suggest that Deng is right. As we pointed out the last time, the students asking for the prime minister's resignation was in all probability the main factor which caused the paranoia in Beijing. Deng and his comrades must have seen nightmares of the Cultural Revolution when the slogan was 'bombard the headquarters'. The moment the nightmare was seen, the students became ten feet tall monsters out to destroy the socialist system. Once this perception came to stay what happened was 'inevitable' and in a manner of speaking independent of human will.

Anyway Deng Xiaoping and his comrades will carry on with their versions of the happenings of June 4 and since. They would do so with an element of injured innocence. But their lies and half truths should not blind us to the great hypocrisy of the heads of the seven rich nations of the world who had gathered at Paris. These people, especially the Americans and the British, have no qualms about trying to resist proposals for sanctions against South Africa. The number of people whom the Americans have killed across the three coloured continents should invite the worst reprisals. The South Koreans beat and kill their students every alternate month. Nobody proposed sanctions against them, certainly not the big seven. Why then sanctions against the Chinese?

Deng Xiaoping should have known the hypocrisy of those to whom he has told thrown his country open. He obviously did not. It is good that he has told some plain truths to the Americans. The Chinese treatment of the students cannot be justified. Equally the holier than thou attitude of the big 7 cannot be justified either. The only difference perhaps is that Bush may well argue that his countrymen have not killed Europeans and Americans. They have killed only coloured people. The Chinese have killed their own people. So there is no real comparison. One wishes Deng Xiaoping and his comrades import at least one influence from the west. Never kill your own people. Disarmament for the white people, war for the coloured lot. That is the division which works. The Chinese must reverse that or scrap it altogether. Unless that happens, they will make the traditional killers proud of their systems and put themselves on the defensive.

Decay of Parliamentary Institutions in India

P A Sebastian

A journalist's report on corruption in the secretariat of the Maharashtra legislature has been held to be a breach of privilege which lowers the prestige of the legislature The episode is indicative of the rapidly deteriorating state of institutions of parliamentary democracy—legislatures, courts of law, criminal investigation agencies, etc—in India

IN July 1987 N D Patil an MLA of the Peasants and Workers Party and Digvijay Khanvilkar an MLA of the Congress(I) accused each other on the floor of the Maharashtra Legislature of stealing a question belonging to the other Intrigued by the allegation Prakash Gupta a reporter of *Navshakti* investigated the matter and found to his consternation that the staff in the secretariat of the Maharashtra legislative assembly were steeped in corruption and some of the MLAs were accomplices in the racket

Questions half an hour discussions calling attention motions and such like are the devices to bring people's problems before legislatures They are first submitted to the secretariat of the legislature It is alleged that the staff in the secretariat of the Maharashtra legislature manipulate such things when they are submitted by the MLAs who are not well known and not very vociferous The MLAs ask the parties whose interests are involved in the matter to go and meet the staff concerned If a deal is struck then the matter appears before the legislature If not the matter may vanish into thin air This was the burden of Gupta's article in *Navshakti* which appeared on July 20 1987 On the same day a motion for breach of privilege was moved in the legislature against the reporter The motion said that the article interfered with the functioning of the legislature and defamed the chairperson and the members of the legislature The special privileges committee held that Gupta was guilty and punished him with thirty days imprisonment which both the houses of the legislature commuted to a warning on April 26 1989

The episode is indicative of the decay of the institutions of parliamentary democracy in India such as the legislatures the courts the commissions of inquiry and criminal investigating agencies The action of the legislature seems to suggest that corruption may not lower the prestige of the legislature, but its disclosure may The legislature does not appear to be agitated over the substantive issue and to have made an attempt to inquire into the charge of corruption and to have taken remedial measures, but it has censured the one who reported it This is indeed a strange concept of prestige Can one demand prestige as a matter of right and enforce it at the pain of punishment?

The members of the Tamil Nadu assembly assaulted and molested each other If one applies the logic of the Maharashtra legislature it will mean that the mutual belabouring indulged in by the members did not taint the prestige of the TN legislature while reporting it in public did Rajiv Gandhi treat the members of the parliament less than honourable when he misled them by falsely claiming there was an SIT report which exonerated Dhawan of the charge of conspiracy to assassinate Indira Gandhi But the parliament has not punished him for contempt of the house

The other institutions of parliamentary democracy do not acquit themselves any better than the legislatures The Supreme Court was supposed to decide the validity of the interim order in the Bhopal gas disaster case Instead the court transferred to itself all the cases both civil and criminal and quashed them in terms of an apocryphal settlement This decision flew in the face of the laws and precedents The court had struck down its own order in Antulay case whereby the corruption case against him had been transferred to the high court from the sessions court because it discovered that it had no power to do so From where did the court acquire the power now to do the same thing which it said it did not have, not so long ago? Does the law vary in accordance with the colour and wealth of the litigant?

The government had assumed power to represent the gas hit under the Bhopal gas leak disaster (Processing of Claims) Act 1985 Some of the gas hit had challenged in the Supreme Court the constitutional validity of this law The court acted on the basis of a settlement signed by the government on behalf of the victims whose power to do so was under legal challenge The propriety and the judicial wisdom demanded that the court should have first decided the constitutional validity of the Act before it took such a momentous decision which affected thousands of people A five judge bench of the Supreme Court had held in the Shriram case "When an enterprise is engaged in a hazardous or inherently dangerous activity and harm results to anyone on account of an accident in the operation of such hazardous or inherently dangerous activity resulting for example, in the escape of toxic gas the enterprise is strictly and absolutely liable to compensate all those who are affected by the accident and such liability is not subject to any of the exceptions *vis-a vis* the tortuous principle of strict liability In such a case the measure of compensation must be correlated to the magnitude and capacity of the enterprise because such compensation must have a deterrent effect The larger and more prosperous the enterprise the greater must be the amount of compensation payable by it for the harm caused on account of an accident in the carrying on of the hazardous or inherently dangerous activity by the enterprise This was not a very revolutionary doctrine enunciated by the Supreme Court for the first time in its history The privy council had said so about a hundred years ago The absolute liability meant in the instant context that Union Carbide had to compensate fully for the damages incurred by the victims irrespective of whether the gas escaped because of its fault or not But the court evaded in the case of Carbide a decision on this issue Besides there was the question of punitive damages for negligence which is an accepted principle in the US while it is in a nascent stage in India The Carbide case gave the highest court an opportunity to take definitive decisions on all such vital issues which would have had a tremendous impact in the future

The reason given for the court's refusal to determine such issues on the basis of principles was two fold (1) the case would have taken several years because of back log of cases in Indian courts and (2) there was no guarantee that the American judiciary would have accepted and implemented the decision of the Indian courts Neither argument will stand the test of reason Regarding the first argument there was nothing to prevent the court from constituting a special bench to deal exclusively with the Carbide case Anyway the court has already spent about three months on this case now And it may take several months more If the court had decided to spend this much time at the first instance itself it could have done so without getting involved in unseemly controversies and legal wrangles which may provide the US courts with a reason to say that the Indian courts have not complied with the due process of law The second argument is equally untenable. The comity of nations would have entailed that the US courts enforced the Indian decisions

When the highest court bungles such an important issue so badly, how can the courts command the respect of the people—how can they maintain and enhance their own

prestige? Now who has lowered the prestige of the courts and who has interfered with the course of justice the people or the course themselves? In the history of independent India there is no other single incident which has mangled the Indian judicial edifice as badly as the performance of the Supreme Court in the Bhopal case. The cuts and tears are entirely self inflicted. Rightly or wrongly people today believe that the judges of the Supreme Court indulged in wheeling and dealing behind the curtain along with the officials of the Indian union and Union Carbide.

There are several instances in which the Indian courts have not crowned themselves with glory. E M S Namboodiripad was charged with contempt of court for a statement made when he was the chief minister of Kerala. Upholding the charge of contempt against Namboodiripad the Supreme Court said in 1970: When therefore a person charged the judiciary as 'an instrument of oppression' and the judges as 'guided and dominated by class hatred class interests and class prejudices instinctively favouring the rich against the poor' it is clearly an attack upon judges calculated to raise a storm of disrespect and distrust of all judicial decisions. It weakens the authority of law and law courts and the person is guilty of contempt of court. That the person did not intend any such result cannot serve as justification.

It is illuminating to contrast the judgment in Namboodiripad's case with the judgment in the Shivshankar's case delivered by the Supreme Court in 1988. P Shivshankar the then minister for law and justice addressed a meeting of the Bar Council of Hyderabad on November 28 1987 and said: The supreme court composed of the elements from the elite class had their unconcealed sympathy for the haves i e the zamindars. As a result they interpreted the word 'compensation' in Art 31 contrary to the spirit and the intendment of the constitution and ruled the compensation must represent the price which a willing seller is prepared to accept from a willing buyer. The entire programme of zamindari abolition suffered a setback.' He further stated: The Maharajas and the Rajas were anachronistic in independent India. They had to be removed and yet the conservative elements in the ruling party gave them privy purses. When the privy purses were abolished the Supreme Court contrary to the whole national upsurge held in favour of the Maharajas. The minister also said: "Madhadhipatis like Keshavananda and zamindars like Golaknath evoked a sympathetic cord nowhere in the whole country except the Supreme Court of India. And the bank magnates, the representatives of the elitist culture of this country ably supported by industrialists the beneficiaries of independence, got higher compensation by the intervention of the Supreme Court in the Cooper case. Anti social elements i e, FERA violators bride burners and a whole horde of reactionaries have found their haven in the Supreme Court.

Namboodiripad's critique of the judiciary was theoretical and ideological. It was only a reiteration of some of the basics of Marxism. And Marxist ideology has not been prescribed in India. But Shivshankar concretely charged the Supreme Court with bias and prejudice against the poor and instinctive favour for the rich.

Disposing of contempt proceedings against Shivshankar the Supreme Court said: While respectfully accepting the ratio and the observations of the learned chief justice made in that decision (Namboodiripad's case) we must recognise that times and climes have changed in the last two decades. There have been tremendous erosion of many values. Strange logic indeed. The values have eroded so Shivshankar could denigrate the judiciary with impunity! The court added: After all it cannot be denied that the pre disposition or subtle prejudice or what in Indian language is called *sanskar* are inarticulate major premises in decision making process. That element in the decision making process cannot be denied it should be taken note of." And the court concluded: If any one draws attention to this danger and suggest and measures in institution by the class content he does not minimise its dignity or denigrate its authority. The minister's statement does not interfere with the administration of justice. The retreat was complete.

The only difference between Namboodiripad and Shivshankar is that the former meant what he said about the class content and its bias whereas the latter only simulated. Can anyone blame people now if they conclude that the courts have two measures in their shop of justice?

The commissions of enquiry were meant to deal with complex situations in which unlawful acts have been committed and the executive is not or does not seem to be fair and impartial. But this institution has been abused for mala fide and extraneous reasons, one need not dwell upon the past performance of such commissions as Bhargava commission to drive the point home. The recent examples will clinch the issue. The Misra commission came in handy to whitewash the crime of those who committed pogrom in the first week of November 1984. One instance will suffice to make the point clear. An affidavit filed before the commission had two lists attached to it —one consisted of the names of very prominent Congressmen who are said to have instigated and mobilised the assailants and the other the names of some minor Congress functionaries. The commission totally ignored the first list as if it did not exist while it recommended action against the minor workers! The Thakkar Commission broke all the norms and did a command performance. It is widely believed that Thakkar pointed 'the needle of suspicion' at Dhawan to suit the political requirements of a particular clique in the Congress Party. The Thakkar Natarajan commission is another instance. It went on a witch-hunting to censure the political opponents of the regime. Very often a commission of enquiry is appointed as an agency of political expediency to defuse the situation and thereby to sweep the ugly incidents under the carpet rather than to investigate and punish the guilty. In late 1982 there were widespread communal riots in Meerut in which over a hundred and fifty people lost their lives. The Provincial Armed Constabulary of UP actively participated in the riots it was alleged. The government appointed Justice C D Parikh as a one person judicial commission to enquire into the riots. The commission was ultimately wound up in late 1988. It is not known what the outcome of the commission was.

Criminal investigating agencies are the bed rock of criminal justice. They are meant to be scrupulously impartial and fair. But today we see an alarming spectacle of misuse of the investigating agencies. It is said that the murder of Syed Modi was used to fix Sanjay Singh. Justice Thakkar pointed out R K Dhawan as the principal suspect on the basis of material produced by a special investigating team of the Delhi police. The same team had no compunction in exonerating Dhawan when political expediency demanded it.

The institutions of parliamentary democracy in India have degenerated to such an extent that they are no longer effective instruments through which people can articulate their grievances and demands. The situation is comparable with that in China in a crucial aspect where the all encompassing Communist Party became moribund and the people had to find new avenues outside the frame work of the party. Probably the situation is ripe in India for a people's movement to break out of the existing framework as is being witnessed in China today.

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Rohit Shah

(Assistant Company Secretary)

Registered Office Village Mora Post Bhatha

Surat Hazira Road Dist Surat 394 510

Dated 2 8 1989

CALCUTTA

Public Health Services in a Mess

Ashim Mukhopadhyay

The appalling state of public health services in Calcutta has been highlighted once again, this time by the mass deaths of new-born babies at the Calcutta Medical College and Hospital because of, according to the official explanation "overcrowding

THE death of nineteen new born babies at the Calcutta Medical College and Hospital (CMCH) and the consequent mudslinging between the state health minister Prasanta Sur and the health department on one side and the West Bengal Health Service Association and the so-called medical cell of the Congress(I)'s student front on the other during the last week of July reveal the callousness of those whom the people had entrusted with the responsibility of looking after public health According to Sur this unprecedented spate of infant deaths was caused by the overcrowding of the hospital's maternity wards following temporary closure of admission of expectant mothers to the NRS another major hospital in the city where a tetanus case had been recently detected The situation deteriorated so much in the CMCH that at one time three or four mothers were found sharing the same bed with their babies The overcrowding also made the existing staff shortage more acute with a single nurse looking after scores of women and infants besides turning the entire surroundings extremely unhygienic While taking measures to tackle the problem Sur also constituted an eight member committee to probe into the infant deaths and fix the responsibility

However Sur was practically mobbed by a group of women reported to be Congress(I) supporters and a few representatives of the medical cell of the Chhatra Parishad while opening a new nursery at the CMCH on July 28 Next came a strong protest from the Health Service Association, West Bengal that straight away held the state health department responsible for the tragedy and labelled the setting up of the inquiry committee as eyewash

The truth that emerges from these claims and counter claims is that the state health ministry and the state government as a whole have failed in the sphere of public health Two horrendous events were reported last year of new born babies being actually carried away by stray dogs from inside hospital wards in broad daylight and devoured Mothers wept relatives demonstrated and the authorities promised compensation and inquiries Nothing was heard thereafter Meanwhile stray animals still roam freely in the hospitals The callousness of the health ministry was again revealed when about one thousand bottles of blood donated by volunteers for the setting up of the Bakreswar Thermal Power Plant had to be destroyed due to inadequacy of storage facilities Sur and his men had tried to suppress the incident

Almost a year ago the people of Calcutta witnessed a macabre tragedy Hundreds of men women and children at Behala in the south eastern part of the city fell sick after eating food cooked in rapeseed oil and doctors diagnosed their ailment as paralysis According to information with the ministry of health a very poisonous chemical called TC Phosphate normally used in making aero fuel had been mixed with the cooking medium at a local ration shop In the past there had been complaints of similar malpractices against the same shop As happens in such cases involving a large number of people the exact figure of persons affected is still a matter of debate Nevertheless it can be said that more than two hundred people were permanently crippled While an archic conditions prevailed in the local hospitals ministers and senior officials of the health food and municipal affairs departments issued contradictory statements about the case Sur and food minister Nirmal Bose started an unseemly debate on whose was the ultimate responsibility and at one stage an attempt was even made to pass the buck to Buddhadeb Bhattacharya the municipal affairs minister

As far back as in 1972 about 400 people at Dum Dum, a northern suburb of Calcutta had fallen sick after consuming adulterated mustard oil and had become physically crippled in course of time During these 17 years the victims have neither been fully rehabilitated nor given any adequate compensation Though the present state government is not responsible for the incident it is evident that it cared little to learn from the past Distribution of the adulterated rapeseed oil started on June 24 1988 and there were complaints since then about its ill effects But the local rationing authorities and the food department officials paid no heed Why did not the government stop the supply of the adulterated oil? Was there a mustard oil lobby in action to sabotage the rationing system and create a fear psychosis? And why was the matter not probed right in time?

The urban agglomeration of Calcutta with a population of over 11 million provides ideal opportunities for food adulteration The steady rise in the population is not matched by increase in the supply of food As a result, almost every food item is being adulterated quite often with dangerous substances The state government has not had any definite policy to deal effectively with the offenders who are doing brisk business under the very noses of the health department officials and the police

Even if there were no overcrowding in the city hospitals and no adulteration of food items and medicines the very atmosphere of the city claims hundreds of lives As the streets get increasingly choked with the ever growing number of vehicles and its industrial units even those handling hazardous chemicals keep sprouting all over the atmosphere is getting increasingly clogged with every conceivable type of pollutant The problem is aggravated by the heaps of uncleared garbage strewn everywhere The government is now getting ready for the tercentenary celebrations of Calcutta on which it will spend lot of money through seminars exhibitions fetes and fairs But all this will hardly ameliorate the conditions of the common people who will continue to be haunted by disease and death as was poignantly brought out by the mass deaths of new born babies in the Calcutta Medical College and Hospital

OUR REPRINTS 1988-89

*1 [illegible] United Provinces (1937) Rs [illegible] Excl Dist

2 Campbell JM Ed Bombay Gazetteer Castes and Tribes of Gujarat [illegible] (1901) Set Rs 400

3 [illegible] History of Gujarat (Ancient Medieval Modern) (1935) Rs 400/

4 Caste & Tribes of the Tea Estates of NE India 1984 Rs 200

*5 Congress Agrarian Enquiry Committee United Provinces (1936) Rs 75/ Excl Dist

6 Crooke Wm A Pocket Book of Agricultural Geography for India 4th (1888) Rs 150

7 Gazetteer of Afghanistan and Nepal (1908) Rs [illegible]

8 Gazetteer of Baluchistan (1908) Rs [illegible]

9 Gazetteer of Delhi 1883 84 Rs 200/

10 Jackson AM Gazetteer of Gujarat 1914 Rs 175

11 Mathur P S & Gairola T D Himalayan Folklore (1945) Rs 125

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EXCERPTS FROM THE CHAIRMAN'S STATEMENT AT THE 30TH ANNUAL GENERAL MEETING HELD ON 25TH JULY 1989

Mr M Sankaranarayanan, IAS
Chairman

[illegible]

OPERATIONAL HIGHLIGHTS

[illegible]

COMMENDATION BY THE GOVERNMENT

[illegible]

[illegible]

REHABILITATION OF SICK UNITS

[illegible]

FLOW OF ASSISTANCE

1 ASSISTANCE TO BACKWARD AREAS

[illegible]

2 ASSISTANCE TO SMALL SCALE SECTOR

[illegible]

3 ASSISTANCE TO SC/ST/BACKWARD CLASSES

During the year under report [illegible] entrepreneurs belonging to [illegible] assisted to the tune of Rs 10.63 crores as against [illegible] entrepreneurs assisted to the tune of Rs 7.66 crores in the previous year registering a growth of 39% in terms of amount

4 WOMEN ENTREPRENEURS

During the year under report 1067 women entrepreneurs were assisted to the tune of Rs 4.6 crores as against 527 women entrepreneurs availing assistance of Rs 2.08 crores in the previous

year resulting in an increase of 102.46% in terms of number and [illegible]5% in terms of amount

5 DEVELOPMENT OF LOCAL ENTREPRENEURS

[illegible] the year 6 155 local entrepreneur were [illegible] to the tune [illegible] crores This represents 99.62% [illegible] terms of number and [illegible] terms of amount of the total sanction during [illegible]

HIGHLIGHTS OF THE YEAR 1988 89

INGLE WINDOW SCHEME

[illegible]

RURAL INDUSTRIALISATION PROGRAMME

[illegible]

ASSISTANCE TO MINING ACTIVITY

[illegible]

FINANCIAL PERFORMANCE

[illegible]

TARGETS FOR 1989 90

[illegible]

SUGGESTIONS

CREATION OF FUNDS AT SFCs TO SUPPORT R&D ACTIVITIES

[illegible]

GRANT TO SFCs FOR OFFERING FREE MANAGEMENT CONSULTANCY SERVICES TO SSIs

[illegible]

[illegible]

In [illegible] the [illegible] by the State [illegible] enhanced [illegible] financial base [illegible]

[illegible] As per the amended [illegible] the paid up capital of many [illegible] difficult to meet the obligation of the guaranteed [illegible]

[illegible] charged capital which will progressively increase in accordance [illegible] the programme for conversion suggested by the IDBI I would [illegible] again request IDBI to retain the outstanding amount of loan in [illegible] of capital as loan portfolio only for another 15 20 years so that [illegible] can have the advantage of paying interest as a charge on its [illegible] before tax in order to consolidate their financial position

[illegible] functioning as Regional Development Banks On the [illegible] the IDBI [illegible] granted exemption from [illegible] exempted from the [illegible] as development

[illegible] including interest of the [illegible] introduced in 1984 [illegible] ineligible for [illegible] regard [illegible] request [illegible] so as [illegible]

ACKNOWLEDGEMENTS

[illegible]

CONCLUSION

[illegible]

[illegible] KANARAYANAN

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Scuttling Wardha's Steel Plant

Ajit Kumar

The proposal to set up steel plants in Wardha district has pitted the Gandhian Ashramites against the local population How tenable are the Ashramites' objections?

VIDARBHA in Maharashtra is known if at all for its backwardness But among its nine districts one district viz Wardha enjoys a special status in contemporary Indian history Wardha's claim to fame can be traced to Gandhi's decision to stay there during the last phase of the independence movement and particularly after 1936 it became the unofficial capital of India with Bajajwadi, the estate of Jamnalal Bajaj becoming the meeting place of the Congress Working Committee Nationalist leaders like Nehru, Bose, Azad etc, used to camp at Bajajwadi frequently to meet Gandhi Inevitably in the post independence period Wardha lost much of its earlier importance till Vinoba Bhave launched the Bhoodan movement Even this short lived importance would have ebbed away had it not been for Indira Gandhi's impromptu visits to Paunar for Vinoba's darshan The tradition of visits was continued by the present prime minister but the venue shifted from Paunar to Sevagram (in the interregnum Vinoba Bhave had passed away)

Contemporary Indian politics have not been kind to Gandhiates in general and even less so to the Sevagram Gandhiates The prime minister visited Sevagram on January 30, 1989 for distributing the Jamnalal Bajaj awards, but unfortunately, one of the awardees (Malati Devi Chowdhury of Orissa) refused to accept the award on the ground that the PM was not 'qualified' to give away awards for 'Gandhian' work This immediately created a furore among the Ashramites with allegations and counter allegations with one section commenting on the propriety of inviting the PM and finally ended with the resignation of one of the trustees

In spite of these troubles the visits from the highest of the land have paid some dividends to the district in the form of increased official attention The Planning Commission, on the recommendations of a sub-group finalised a 'Gandhian' plan for Wardha in 1983 In July 1985, the chief minister of Maharashtra, Shivaji Rao Nilangekar, made the official announcement that Wardha is to be developed into an ideal Gandhian district While he did not spell out how this was to be done, Rs 150 crore were earmarked for this purpose and industrialisation was to be speeded up Fortunately for Gandhi's dreams not much action has been taken on the former CM's pronouncements

The ebb and flow of Wardha's destiny took a better turn with the election of Vasant Sathe from the Wardha Lok Sabha constituency who in spite of the conventional flaws of the Congress politician gave considerable thrust to the district's industrialisation This no doubt was actuated by the fact that in the previous election he narrowly escaped defeat at the hands of the CPI(M) contestant Aided by his aggressive PR approach and proximity to the PM a number of entrepreneurs were persuaded to invest in Wardha The first one to be enticed was a NRI subsidiary of an American corporation to set up a technology park for producing computers communication equipment soft ware etc with the bulk of it marked for export To that extent it appears to be no different from the Export Promotion Zones already in existence and hardly conducive to the fulfilment of Gandhian dreams More importantly there was no murmur of protest from the Ashramites at this defilement of Gandhi's dreams

But Sathe's second initiative has stirred up a hornet's nest in Wardha. While the actual potential of these industries to create employment and infrastructure can be debated, the controversies created is a revealing testimony on the concerns and perceptions of the Sevagram Gandhiates *vis a vis* the common problems afflicting the local citizens

A non resident Indian S A Agarwal of Steelworks Inc, in Chicago was to set up a Rs 200 crore company called Inland Steels and a UK based NRI, N G Kabra was to set up a Rs 180 crore company, Integrated Steel Plant The former was to set up at Bhugaon Selukjhet village 12 km from Sevagram and the second plant was to come up in the Wardha MIDC which is also close by The plants would provide direct employment to 2,500 people and indirect employment to a large number apart from creating an infrastructure of roads, transport ancillary industries, etc.

Vasant Sathe has directed his ire at Sushila Nayyar, a noted Gandhian, former union health minister and a member of the committee of the Sevagram Medical College for instigating Nirmalaben Gandhi (daughter in law of Mahatma Gandhi) to present to the PM objections against this proposal On this basis the PM ordered a temporary stoppage of work This was followed by the union minister for steel and mines, Fotedar's statement in the Rajya Sabha the other day that the proposed steel plants cannot be established in Wardha In a letter dated February 21 1981, the additional secretary,

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HINDU WOMEN AND THE POWER OF IDEOLOGY

VANAJA DHRUVARAJAN

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environment informed P Subramaniam, secretary, department of energy, government of Maharashtra that clearance was not being given to Integrated Steels and Indian Steel because of the environmental threat posed to Bapu Kutir The letter, rubbing salt in the wound also added, that the state government should shift the existing industries in the MIDC further away from the existing location

Ashramites Objections

The Ashramites have raised primarily two objections Firstly the proposed plants will pollute the environment around Bapu Kutir and secondly the peace of the Ashram will be destroyed Apparently this is not the first campaign launched by the Ashramites Nearly 15 years ago a steel fish plant had to be shifted to Visakhapatnam under similar circumstances Similar was the case with a spinning and weaving mill and the Golden Tobacco and Forges Company s projects

Do the Ashramites have a case? As per their statement they are not opposed to the steel plants *per se* but to its proximity to Bapu Kutir and the concomitant pollution The Vidarbha Industries Association (VIA) has brought to light in a press conference that according to a government survey the wind flow is from the west to the east and so the pollution will not affect Bapu Kutir More important is the fact that the Maharashtra Pollution Control Board had cleared the project in 1985

The obvious solution would be to relocate the project Since the present location was selected with specific economic consideration a private entrepreneur may not be willing to change the site. The VIA has pointed out that the present site has been selected because it is close to the MSEB sub-station and the Wardha east railway station Apart from that the necessary formalities with the irrigation department and the MIDC authorities for supply of water has been cleared There is now a possibility of the proposal falling through

Today in Wardha the Merchants Association has taken a lead in this matter The Maharashtra Pradesh Youth Congress(I) president Promod Hiwale has threatened to launch an indefinite hunger strike in front of the PM's residence in Delhi if the government does not revoke its earlier decision The Congress(I), CPI, CPI(M), Shiv Sena and the Maratha Mahasangh organised a bandh followed by a public meeting The veteran CPI leader A B Bardhan has taken a lead in constituting a 'Wardha Steel Plant Location Action Committee' comprising members from different social groups including VIA in Nagpur

It is pertinent here to comment on the influence of Gandhian thought in the pre- and post-independence Indian society During the independence movement Gandhi and his followers played a very influential if not a dominant role. But in the post-independence evolution of Indian polity there has been a complete marginalisation of Gandhian thought This essentially is a reflection of the success of the Indian state in co-opting the Gandhiates and at various levels of economic, social and political interaction the Gandhiates have extensively collaborated with the old Congress Party and the present ruling party The last 42 years have seen the complete alienation of Gandhian thought and of his followers from the local society which is a tragedy considering Gandhi s, almost magical understanding of the Indian psyche

It speaks for the distance the Sevagram Gandhiates have travelled away from the people that their concern is limited to pollution over Sevagram and not about the residents of the new site if and when the plant is relocated What do the Ashramites hope to achieve? The preservation of Bapu Kutir as a historically sanctified place of pilgrimage and of tourist interest both for the ordinary Indian and our rulers That Wardha because of the Gandhian institutions occupies a place in the tourist map is attested by the fact 50 000 people including foreigners visit Sevagram every year The commercialisation of Gandhian thought has got an impetus with the setting up of various departments of Gandhian thought imparting degrees and diplomas with Sevagram as a landmark in the academic itinerary The Ashram Gandhiates would do well to ponder on the findings of a government survey which indicated that while in 1901, 45 per cent of the population in Wardha was engaged in non-farm occupation, the number had dwindled to 10 per cent in 1946 and 2 per cent in 1968

The Gandhiates could have restored a modicum of respectability to Gandhi and his ideas by utilising his views on industrialisation and foreign technology as a plank for attacking Vasant Sathe's NRI-based development instead of harping on pollution Considering the large investment the officially stated figure for employment generated is for a mere 2,500 people which is not going to make any dent on the unemployment situation in Wardha Moreover considering the nature of technology to be used the local youth or worker is not going to benefit very much As an alternative they could have pressurised the state and central governments and Vasant Sathe to implement the official Gandhian plan particularly its rural industries component which on paper is employment intensive The Ashram Gandhiates by merely paying lip service to Gandhi s greatness and conveniently forgetting or ignoring his thought quality for Sathe s pejorative for them—phoney Gandhians

MADHYA PRADESH

Press under Pressure

Approval of the state government and the chief minister personally has become a vital consideration in the posting of correspondents of the national newspapers in the Madhya Pradesh capital

THE public relations outfit of the Madhya Pradesh government is scaling new heights Till now they could manage only the provincial press, dependent to a large extent on state government advertisements for its existence But now even the national dailies seem to have started caring for the chief minister s wishes

The proprietor editors of most of the regional newspapers, with a few honourable exceptions have always believed in crawling when asked to bend They zealously support each successive chief minister Recalls a local journalist "Working under these constraints we always looked up to the correspondents of national dailies for taking on the government"

Not any longer With every change in the political regime in the state, the correspondents of the national dailies are changed or transferred It is certainly not a coincidence that only those correspondents are shifted who are not on good terms with the new incumbents

The latest in the series is the transfer of the Bhopal correspondent of *Navbharat Times* the Hindi daily of the *Times of India* group He was alleged to have been too close to former chief minister Arjun Singh Last month he was transferred to Chandigarh in peculiar circumstances He was asked to move even as his successor, the man in Chandigarh, refused to vacate the post and obtained a court stay against the transfer

The newspaper's editor denies that it was a politically-motivated transfer The management explains that it was a routine transfer And the state government, of course, claims that it is not involved But the fact remains that the management had in the past indicated to the correspondent who is being transferred that chief

minister Motilal Vora was not very happy with him and that he should mend his ways

The *Times of India* group is planning to launch new editions from Bhopal It has already acquired land from the government for the purpose The company is also putting up a Rs 108 crore acrylic staple fibre unit in Madhya Pradesh Obviously it needs a lot of good will in the corridors of power

Transfers of newspaper correspondents indeed seem to follow a set pattern The *Times of India's* Bhopal correspondent had been transferred last year soon after Arjun Singh came to power The man was thought to be too close to Vora for Singh's liking

The *Hindustan Times* correspondent in Bhopal had been transferred in humiliating circumstances two years ago He was first sent to Hyderabad but there found that his predecessor was still functioning He was brought back to Bhopal and asked to go on leave After months of waiting he was given a posting in Jaipur All this because he had reportedly invited the wrath of a union minister from Madhya Pradesh The correspondent of the group's Hindi newspaper, *Hindustan* was also shifted from Bhopal to please the same minister The present correspondent of *The Hindustan Times* is thought to be not very favourably disposed to Vora Recently he was conveyed a subtle message by the public relations outfit of the state government that Vora had had an hour long meeting with the newspaper empire's heiress

Chief ministers getting annoyed with correspondents who write the unpalatable truth and trying to get them transferred from their states is not new What is new and frightening is that newspaper managements are now more than willing to listen

Newcomers Below the Poverty Line

Bharat Dogra

Claims are advanced on behalf of the government about the number of people lifted above the poverty line in every five-year plan But what about the number of those who above the poverty line to begin with are pushed below it by a variety of forces all endemic to the operation of the economic system such as the destruction of traditional crafts and industries large-scale displacement on account of development and defence projects floods and droughts and sickness and closures in organised industry'

POVERTY reduction is claimed to be an important part of development planning in India A major aspect of every five year plan is the extent of poverty reduction achieved or to use the official jargon the number or percentage of people who have been raised above the poverty line The claims made in this regard are widely discussed and debated testifying to the political and socio economic significance attached to this issue

Various Planning Commission documents describe what proportion of persons below the poverty line have been raised above the poverty line and how To some extent this is supposed to be achieved by the overall economic growth and to some extent by the specific poverty alleviation programmes such as the IRDP the various employment works, etc However this entire exercise ignores one extremely important dimension It does not consider the number of newcomers below the poverty line i e the number of people who have been pushed below the poverty line during the period under consideration This number has to be subtracted from the number of people who have been raised above the poverty line due to the impact of poverty alleviation programmes and other steps Only then can we have a proper estimate of the extent of poverty reduction

It is not difficult to identify the complex of factors due to which more and more people who were once earning their livelihood in a relatively satisfactory way are being pushed below the poverty line News papers in recent years have given many instances of projects involving large scale displacement without proper provisions to ensure satisfactory rehabilitation These include dam projects mining projects and several other development and defence projects A large majority of these people are likely to have suffered a significant deterioration in their income and living standards

Secondly there are a large number of artisans who have been fully or partially displaced from their occupations This may happen because of competition from machines against the government's declared policy of protecting them—for example, the competition handloom weavers face from powerloom weavers or handprinters face from mechanised printing This may happen also due to the denial to them of the basic raw materials For example, bamboo artisans in many parts of the country have been increasingly deprived of their basic raw material in recent years because of the destruction of bamboo forests as well as the neglect of their needs by officials Thirdly there are artisans who suffer because of the vagaries and uncertainties of the market specially the export market Lastly there are a substantial number of small and poor artisans who suffer just because of the criminal neglect and corruption of officials

Fishermen and miners are two other groups who have lost employment and livelihood on a large scale in recent years due to mechanisation and related technological change The same can be said of some categories of industrial workers Prolonged lock outs have taken their toll in the form of workers rendered unemployed The number of sick and closed industries has increased greatly in several parts of the country forcing workers into long periods of unemployment and uncertainty

A large number of other people do not face sudden unemployment or loss of livelihood for them the loss is somewhat gradual but it is very real and painful For example a large number of peasants whose yield is steadily going down and livelihood becoming precarious (specially in the hilly areas) due to deforestation soil erosion landslides and related problems The combined impact of these problems over the years may force entire families to leave their traditional homes and employment and go out in search of an uncertain future

The growing damage from man made disasters such as droughts and floods landslides gas leaks severe pollution communal violence etc leaves permanent scars on the lives and livelihood of a large number of people making it difficult for them to make both ends meet

The list can no doubt be extended but the main point has been made Even if we consider only these categories the number of the severely affected people in recent years runs into not lakhs but crores So to know the real magnitude of poverty it is necessary that estimates of these people pushed below the poverty line during a plan period are also made and the estimates of people raised above the poverty line are then adjusted by subtracting this number And if in the process we reach a negative figure, we should not be shy of admitting that fact

An honest exercise of this nature will make us conscious of the distress of the most needy sections of our society and such a realisation will be the first step towards concerted action for their upliftment On the other hand by neglecting such an exercise, we merely perpetuate and aggravate the neglect of these sections

Urban Housing

Sreemay Basu

To make possible the huge increase in housing stock needed to meet the requirements of shelter, there will have to be a radical rethinking of all aspects of the legislative, financial and technological practices that today regulate the construction of buildings in different parts of the country

THE 'International Year of Shelter for the Homeless', 1987, generated a fair amount of activity, including seminars organised at the state as well as at the national and international (like those at Trivandrum and New Delhi) levels Academics bureaucrats and legislators generally concerned themselves with the vast aggregative dimensions of the housing problem An aspect somewhat overlooked was the qualitative changes occurring in the process of delivery of housing to consumers in urban areas This is also of immense significance The housing scene in Calcutta where this change has been occurring over the last decade may serve as an example, typical of urban centres across India

Housing for the middle class nowadays ranges between Rs 300 and Rs 400 per sq ft In this range flats are available at Salt Lake, Behala, Jadavpur and similar outlying areas The cost of construction for the developers who are organised and able to obtain materials and labour at better rates than individuals is roughly in the range of Rs 120 to Rs 150 Therefore the remaining Rs 180 to Rs 250 represents the cost of land and the developers' profit How much of this is the cost of land? For our rough and ready calculations, let us take Rs 1,00,000 per cottah which is 720 sq ft If we assume an average permissible floor area ratio of 1 75 this cost translates to Rs 80 per sq ft The developers' profit is therefore between Rs 100 and Rs 170 per sq ft, or 33 to 40 per cent of the total expenditure Since in most cases the prospective owners have to make the payments in advance, according to the stages of completion, there is no cost of capital involved and little difference between 'gross' and 'net' rates of returns The rate of return is higher in the case of luxury housing, costing Rs 750 per sq ft and above, in areas like Alipore, Southern Avenue, Jodhpur Park and Ballygunge and even higher in the case of commercial property development

The most fundamental change that such high returns have brought about is that building construction has become a commercial enterprise It is no longer in the hands of professionals Thus we find the agencies entrusted with the powers to regulate and oversee construction corrupted to such an extent that obtaining necessary sanctions now ranks as *the* most important step in the construction process This has also resulted in spectacular abuses of building bye laws as in the Alipore high rise case In general because immediate return is the prime objective of such enterprise the net result is diminishing standards of both construction and design Other manifestations of this change (For a Roof over the Head *The Statesman* 30 12 1987) are the use of 'power of attorney and other extra legal methods of property transfer the ouster of the middle class from their ancestral homes, eviction of slum dwellers and the moving in of lower middle class to slum accommodations (a phenomenon noted particularly in Bombay) This state of affairs offers scant hope of addressing the shelter needs of tomorrow even for middle and low income groups The prospects for the poor known euphemistically as Economically Weaker Section are no brighter Their fate rests solely on government agencies whose inefficiency renders housing schemes for this section of society– inherently in need of large subsidies even less viable economically

As we go towards the 21st century the aggregate needs for shelter in only the urban and semi urban settlements of our country are being estimated in the range of an additional 50 million houses or flats To make possible this huge increase in housing stock, there will have to be a radical rethinking of all aspects of the legislative, financial and technological practices that regulate the building of buildings in different parts of India today

There is need for an integrated and innovative shelter programme There are signs that the government is slowly starting to wake up to the dimensions of the problem The National Housing Bank has just become a legislative reality It is to be an apex body linked with regional institutions like the HDFC in the west and the HPFC in the east The need for such public and joint sector undertakings is not only to promote finance, but to embark on actual cost effective construction so that the objective of maximising short term returns can be replaced by that of providing affordable housing to all the different sections of society

The shortage of land will obviously exist and get accentuated Again, the government has to embark on comprehensive planning exercises integrating the different types of land uses in metropolitan, urban and semi-urban settlements These should be based on computer-aided modelling and analysis for forecasting and for evaluation so that all plans are as accurate and as specific as possible, and allocation of scarce resources can be made optimally Delicate balances have to be maintained The wholesale conversion of agricultural land for building purposes cannot continue Hard choices regarding ownership of land and the limitation of space for habitation have to be made.

An important related issue is that of density of development Fallacies persist in planners minds about high rise' and high density The Land Use and Built Form Studies Group at Cambridge have proved mathematically that high densities do not require high rise In fact they have shown how Manhattan could be rebuilt at existing densities in buildings less than eight storeys high without loss of open spaces and parks What is required is consolidation of land holdings Though this may be difficult to achieve presently in already built areas at least in the new developments planners have to adopt such innovative approaches

The issue of integration has been mentioned in passing A case in point is Kalyani Despite massive outlays in local infrastructure development the township remains unpopulated because the necessary transportation links to Calcutta have not been developed Yet paradoxically, even at Kalyani the property transfer procedures remain so cumbersome that individuals wishing to now buy and settle there feel discouraged Such procedures will have to be streamlined

Finally there is the question of design and of construction technology There is scope for effecting great economies with organisation and use of new materials and innovative techniques Today in Kerala Laurie Baker builds successfully with traditional materials for under Rs 100 per sq ft There is no reason why we cannot also lower our costs substantially

Construction management has now become a field in its own right With the use of computers to maintain and monitor schedules and optimise construction procedures much of the waste and uncertainties of traditional methods can be eliminated This results in shorter execution times and the reduction of ancillary costs associated with delays

On the materials side there has been a worldwide revival of interest in traditional materials like mud for modern urban applications and also in age old techniques of constructions utilising these traditional materials Hassan Fathy in Egypt uses mud not only to build the walls but also the roof of his buildings in the ancient

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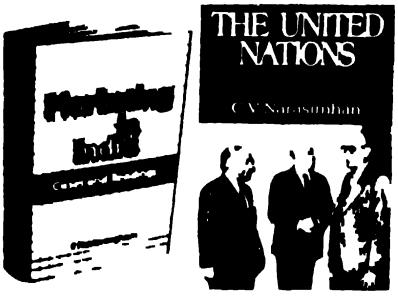

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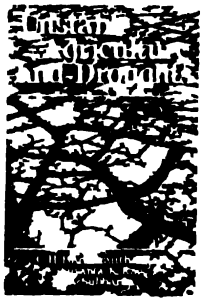

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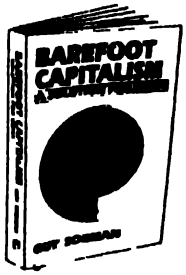

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Nubian technique of vaulted construction These need no other supports—not even during the construction procedure I have had the opportunity to try this technique in experimental buildings at Sidhi in MP in 1983 and again in 1987 as a students project in my university, the School of Planning and Architecture in Delhi Nader Khalili of Iran extends Fathy s technique by firing these buildings from inside to obtain pucca buildings He has shown how this can be cheaper than building with kiln fired bricks In India Ray Meeker has tried this method in several buildings at Pondicherry And historic examples include the terracota construction of Bankura and Bishnupur in Bengal

The French CRA Terre Group affiliated with the University of Grenoble uses 4 per cent cement to stabilise such mud brick buildings They have had extensive experience in North Africa Other stabilising techniques which are less permanent and need renewal every 2 3 years have been developed by CBRI at Roorkee These may be suitable for semi urban applications and can bring building costs down to the range of Rs 20 to Rs 25 per sq ft

Applications of such techniques are not confined to lower income housing Housing for millionaires in Nevada and for the Mediterranean rich have been built in mud There are building magazines devoted exclusively to mud construction and special building codes devised for the purpose in America Isn t it ironic that the world s richest country devotes so much attention to such humble materials while we who are in dire need of alternative materials and techniques to meet housing shortages of gigantic proportions continue to turn our back on materials that have been part of our tradition for millennia?

Pakistan: Dilemma of the Left

Babar Ali

The main agenda for the left should be one of left unity Despite the historical catastrophes—mainly due to petty and subjective factors—whatever remains of the left should organise itself as the third alternative

PAKISTAN is tending towards a two party state at the federal level with numerous nationalist groups existing at the provincial level Given the predominance of the Pakistan People s Party and the Islami Jamhoori Ittehad the two main contenders for power other smaller groups and parties must toe the line of one of these two One result of this alignment has been the creation of the Combined Opposition Parties, which is a group of seven parliamentary parties with the IJI at the centre, rallying against the People s Party government The only party of any significance which has not joined either of the two is the Karachi based Mohajir Qaumi Movement, which could decide the balance in the future political game in Pakistan In this political scene, the left has absolutely no choice but to support the People's Party rather than the more reactionary IJI

The track record of the left, in the last couple of decades in Pakistan has been so poor, that it is indeed a miracle that there is a left in the country History has condemned the left to play a very insignificant role in Pakistan's politics today At best it must confine itself to supporting (and that too verbally) one or the other of the political parties vying for power Complete intellectual and ideological bankruptcy, dogmatism and Stalinist sectarianism, imported political programmes and strategies and foolhardy analyses and formulae, by the leadership of what claim to be the left in this country has resulted in a situation which can in no way be justified There is no such phenomenon is a left force in Pakistan and a mere handful of petty bourgeois intellectuals all of whom claim to be in the central committee of one of the many Communist Parties is the identification of the Pakistani left and of the revolutionary movement in this country In such a situation all that they can do is support the People s Party

The argument given is that failure to support' the People's Party amounts to supporting the reactionary, pro imperialist fundamentalist Islami Jamhoori Ittehad which is regarded as a legacy of the martial law regime of general Zia The People s Party is seen to be the lesser of the two evils and representative of the liberal bourgeois order and thus needs to be supported' At one level of analysis, the left identifies the democratic process and the People's Party government as a brainchild of the US imperialism where civilian regimes are seen to be more suitable to fulfil the grand designs of imperialist strategy as opposed to the more naked military dictatorships This analysis understands that since democracy is the preferable option for the US in the present historical epoch, the likes of Cory Aquino and Benazir Bhutto need to be supported by the interests that serve the United States, i e, the US business, the World Bank IMF, etc. Thus the high profile of the glamorous visit of Benazir to the US and the promise of more arms and more 'aid' This analysis concludes that despite being pro imperialist, the anti-imperialist left should support Benazir Bhutto, and democracy, rather than stay neutral or take an anti Benazir approach, which the left feels will be playing into the more reactionary IJI camp

So at one level of analysis, the People's Party is seen as pro US At another level, the left cites numerous positive steps taken by the government, prominent amongst them are the freeing of political prisoners and a freer media Other positive steps include a better approach to the Afghanistan problem' i e, seeking a political solution rather than take recourse to a military fanatical holy war (For the left, a stance on the Afghan question is a barometer which indicates the degree of leftism) The left also approves of the government policy towards India and considers this another positive measure undertaken The restoration of bourgeois civil and human liberties is another major step of the government, particularly the lifting of the ban on trade unions and student unions I really cannot count many more positive' steps

It is indeed unfortunate that the left is condemned to support the People's Party on the basis of a few meagre and measly positive measures There have been no basic structural steps regarding the economy and corruption is as rampant as ever with the *goondaism* of the Zia coterie being replaced by the corruption and *goondaism* of the People s representatives Yet we are told that if we do not support the People s Party we will be playing into the hands of the reactionary fundamentalists

I strongly disagree with this approach of the left and feel that it has implications which do not augur well for an already humiliated and almost non existent left, and which do not favour a possible future where the left can begin to grow The first point is that the left should realise that given its strength and support in the masses its support of the People s Party is a waste of time and inconsequential What difference does it make to the people whether one of the Communist Parties with its membership of two dozen supports any government or not? The time and energy consumed in writing statements in defence of a right liberal regime could be used in more productive ways Pakistan has been given the opportunity of exercising a few bourgeois freedoms and the left should begin organising itself as the third alternative rather than try to cement a regime which, given half a chance when the need arises, will squash whatever left there is The left should begin to build its base in the trade unions and amongst the different working sections of the country The support for

the present government, given its (the left's) strength is inconsequential. Furthermore, when the left acknowledges the fact that the main reason why the People's Party is in power is due to the patronage of the US, support or otherwise from the left is immaterial. This is the best time to build its own base.

The main agenda for the left should be one of left unity, despite the historical catastrophes, mainly due to petty and subjective factors. Whatever remains of the left should organise itself as the third alternative. This is easier said than done considering the track record which has been so poor that it would indeed be a substantial achievement if the left did get its act together. In this regard, the newly formed Qaumi Inqilabi Party (which was originally the main section of the Communist Party, also known as the minority group) has taken bold measures in contacting other smaller parties of the left and has given a call for unity. The call has been well received by the other left groups. Although issues are still to be discussed in detail, there is consensus on a few broad issues. A party of the working class and working masses needs to be formed with its own independent programme and its own independent functioning (unlike the past, where the Communist Party of Pakistan always worked within other parties). The name of the Communist Party should be changed if the party is to engage in open mass politics, as this name is inappropriate in the context of a backward Islamic country like Pakistan. The new party to be launched should include, if possible, all Marxist groups and the left should emerge as a united force if they are to play any role in this country.

This move based on these broad points initiated by the Qaumi Inqilabi Party is indeed welcome. One hopes that the QIP does indeed attract the smaller fraternal parties and being the biggest, most organised and best equipped party does not suffer from chauvinism and has a revolutionary rather than a sectarian attitude towards unity. Only then can one hope for a future of the left in this country.

The problems and constraints towards unity are numerous and entrenched in history and difficult to overcome. But they have to be confronted. The biggest hindrance towards revolutionary strategy in this country is petty bourgeois thought which passes for revolutionary Marxism-Leninism. If this thought prevails and dominates in the newly proposed left party, all attempts of unity directed towards a revolutionary alternative will fail. Given the constraints of Pakistani intellectuals and of the left movement, this becomes the most difficult but important factor which may determine the future of the left in this country.

Andhra Pradesh Rayons Limited

NOTICE

It is hereby notified for the information of the public that Andhra Pradesh Rayons Limited proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under Sub section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for the approval to the establishment of a new undertaking, unit/division. Brief particulars of the proposal are as under:

1. Name and address of the applicant: Andhra Pradesh Rayons Limited, Regd. Office: 1-9-59, 15, Gagan Mahal, Hyderabad 500 029, Andhra Pradesh. 2. Capital Structure of the applicant organisation: a) Authorised: Rs. 16 00 00 000 b) Subscribed and paid up: Rs. 10 70 00 000. 3. Management structure of the applicant organisation indicating names of directors including managing director, wholetime director and manager, if any: Mr. L.M. Thapar, Chairman; Mr. G.R. Hada, Vice Chairman; Mr. B.V. Goud, Nominee of IDBI; Mr. Y.S. Das, Nominee of IFCI; Mr. Surender Lall, Director; Mr. T.V. Subba Rao, Director; Mr. N. Santosh Reddy, Director; Mr. R.P. Leekha, Manager. 4. Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division: Establishment of a new unit/division. 5. Location of the new undertaking/unit/division: Kamalapuram Township, 506 172, Warangal District, Andhra Pradesh. 6. Capital structure of the proposed undertaking: The proposed unit/division is expected to cost Rs. 8500 lacs. 7. In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate: (i) Viscose Staple Fibre, Sodium Sulphate (Byproduct), Sulphuric Acid (For Captive Consumption), Carbon Di Sulphide (For Captive Consumption). (ii) Proposed licensed capacity: 25 000 TPA of Viscose Staple Fibre, 15 000 TPA of Sodium Sulphate, 25 000 TPA of Sulphuric Acid, 50 000 TPA of Carbon Di Sulphide. (iii) Estimated Annual turnover: Viscose Staple Fibre Rs. 7 300 lacs, Sodium Sulphate Rs. 300 lacs, Sulphuric Acid (for captive consumption), Carbon Di Sulphide (for captive consumption). 8. In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover etc.: Not applicable. 9. Cost of the Project: Rs. 8 500 lacs. 10. Scheme of finance indicating the amounts to be raised from each source: Equity Share Capital—Rs. 1070 lacs, Internal generation—Rs. 1764 lacs, Loans—Rs. 5666 lacs.

Any person interested in the matter may make a representation to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

For **ANDHRA PRADESH RAYONS LIMITED**
Sd/
K.S. VISWANATHAN
SECRETARY

Place: Hyderabad
Date: 29th July 1989

What is 'Socialist Freedom'?

K Balagopal

It makes little sense to use the expression socialist freedom in the same way as one uses the expression bourgeois freedom There is nothing specifically 'socialist' about the freedom sought by the Chinese students nor about those promised by perestroika and glasnost If by 'socialist freedom' is meant the right to build a socialist society or the freedom required for building such a society, then one can legitimately ask whether it is this freedom that Lech Walesa or the Chinese students want or Gorbachev desires to institutionalise

THERE are two reasons for welcoming Manoranjan Mohanty's detailed statement of his position (June 17) on the recent Chinese developments, one, that it lifts the discussion to a meaningful level from the cynical asides and snide remarks that have constituted most of the comments even if left circles, and two that those who read with a distinct sense of disbelief his brief piece in *Frontier* (June 25) are now assured that it is a seriously held viewpoint There are equally, two reasons for hesitating to react to his analysis, one that very few of us can match Mohanty in his knowledge of Chinese politics and two that the spirit behind this reaction can easily be condemned as belonging to that genre of Marxism that 'will never learn anything' And yet, when the gap in the understanding of persons all of whom equally profess to be Marxists has grown so wide, it is necessary that somebody puts aside all hesitation

Let us pose the issue in the form of a few questions (i) Is the contradiction between the state and the people central to the problems of socialism? And is it right to understand the major issues in the history of the socialist revolutions—Stalinism the Chinese cultural revolution, Solidarity, perestroika and now Tiananmen Square—in terms of this contradiction? (ii) Granted that the Chinese students are fighting for some kind of freedom within Deng's political system, is that the same thing as fighting for 'socialist freedom'? More generally do the phenomena such as Solidarity in Poland and perestroika in the Soviet Union represent an aspiration for 'socialist freedom', or do they, on the contrary, signify certain natural consequences of the abdication of the socialist ideal? (iii) Is it not a species of double make-believe to first of all accept the celebration of the market and material incentives, consumption and modernisation, as all part of 'socialism' anyway, and then hail the political and administrative reforms that are either demanded or necessitated as a consequence as a new wind of 'socialist freedom'? (iv) What is 'socialist freedom'? Indeed what is socialism and what does freedom mean in the context of socialism? Is socialism merely a system that provides a greater possibility of the elimination of multilateral domination and that too for the reason that it is led by an organisation committed to the cause of the oppressed classes? What happens if this organisation starts believing or professes to believe- that socialism can equally be achieved by capitalist instruments?

There can be no two opinions about condemning the June 4 massacre Killing of unarmed people would be condemnable even if they were counter revolutionaries, but as it is Deng being the biggest counter revolutionary in China, it is ridiculous to call his opponents by the same name Mohanty will perhaps disagree with this but we are at least agreed on condemning the massacre But this agreement makes no material difference to the questions raised above

There is no point in seeking solutions to the problems of Marxist practice outside the framework of Marxism Marxism has always viewed socialism as a transitory phase, a historical interregnum that will work towards the goal of communism in which all forms of oppression inequality bondage and alienation will come to an end Even if we interpret this seemingly teleological notion as an ideal a vision that we strive for, the meaning of socialism as a *continuously revolutionising phase of history* is not altered Indeed, there is no teleology here for the millennium does not come at the end but is built in the course of the interregnum And it has always been held by Marxists that this transition cannot be effected by the *spontaneous working of any formal structure*, an impossibility that is not remedied by attaching the label 'socialist' to the structure, but only through the leadership and guidance of the revolutionary proletariat

It is necessary to emphasise the very real difference between this and the liberal political understanding for it is here that the real problem of democratic rights in a socialist society lies The idea of a conscious and organised revolutionising process as the vehicle of change is essentially antithetical to the bourgeois notion that change is effected through the working of institutions that reproduce themselves through the actions of free individuals The invisible hand of an equilibrating rationality is as central to bourgeois political thinking as it is to bourgeois economic theory The bourgeois notion of freedom is situated in this understanding of history, and its claim to rationality as distinct from its commendation on moral grounds stems from this understanding

This point to repeat is central to the concern of rights in a socialist society, and for this reason it appears to make little sense to use the expression socialist freedom in the same way that one uses the expression bourgeois freedom There is nothing specifically socialist about the freedoms sought by the Chinese students, nor about those promised by perestroika and glasnost The freedom of association, freedom of conscience freedom of expression and the freedom of assembly are all good old bourgeois freedoms and so for that matter is the people's right to have a say in how they are governed The last of these rights was first guaranteed in the Magna Carta (scutage or aid shall be levied in our kingdom only by the common counsel of our kingdom' says chapter 12 of the Charter) and the rest of them recur again and again in the history of the English American and French revolutions If citizens of the socialist world are further driven by their existence to claim protection against forcible self incrimination double jeopardy and arbitrary detention and exile then those rights do not for that reason become some superior thing called 'socialist freedom', for it was for these guarantees that the English Lords and later the Commoners fought their kings from John to James II, literally ages ago

On the other hand if by socialist freedom Mohanty means the right to build a socialist society or the freedoms required for building such a society, then quite apart from the fact that this freedom is quite a different thing from what we mean by freedom in bourgeois society, one can legitimately ask whether it is this freedom that Lech Walesa or the Chinese students want, and whether it is such freedom that Gorbachev desires to institutionalise Is that true? Do these 'new winds' blowing across the socialist countries seek freedom to do away with in-

equality oppression and multi lateral domination? Is this the message of the contemporary upsurge in the socialist countries? That seems a tall order. The question is not whether they desire an end to these inequities most people do at least when you interview them for a public audience. The question is when these people use the expression freedom -or its institutionalised equivalent democracy are they seeking the freedom and the appropriate structures that will enable the people of those countries to put an end to inequality oppression and domination or to build communism? One only has to pose the question this way to realise that the answer is in the negative. They are demanding rights the same way that people in western countries demanded them a few centuries ago. It is not correct to say that one should not describe as bourgeois every effort to win more rights in a socialist country. If it is bourgeois rights that are sought then it is bourgeois that one should call them and the correct point that one must then make is that everything that is bourgeois in its origin need not be condemned. It can be legitimately held for instance that the provision of a writ of habeas corpus is a must in any civilised country but it nevertheless will remain a right won for civilisation by the bourgeoisie and will not get transmuted into a socialist right by the mere fact of a Wang Dan or a Xiong Yan demanding it.

But let us pursue further the notion of socialist freedom. The right to build an egalitarian society is perhaps the one absolute right in a socialist society (though how it would translate into the kind of prescriptive and justiciable rights that alone are allowed the title rights by bourgeois jurisprudence is a moot point) but what exactly are the freedoms that are essential for the effective enjoyment of this right that are part of the economic political and cultural conditions of liberation? in Mohanty's words? For instance is it the freedom *of* religion or the freedom *from* religion that constitutes a condition of liberation? And what happens when there is a conflict between the two? Or thinking of say Salman Rushdie - is it the freedom to pursue the whims of one's splintered and philistine consciousness that is a condition of liberation or the freedom *from* the splintering and alienation of consciousness? And again what happens when there is a conflict between these two freedoms? Or touching upon a much maligned aspect of the cultural revolution -do we demand the freedom to pursue unhampered one's profession of being a seeker of scientific truth or do we desire freedom *from* the professionalisation of science? And this time we know what happens when there is a conflict between the two Deng and the

Form 1A

(See Rule 4A (1))

NOTICE

It is hereby notified for the information of the public that M/s PREMIER AUTO ELECTRIC LIMITED proposes to give the Central Government in the Department of Company Affairs New Delhi a notice under sub section 1) of Section 21 of the Monopolies and Restrictive Trade Practices Act 1969 for substantial expansion of their undertaking. Brief particulars of the proposal are as under

1 Name & address of the applicant

PREMIER AUTO ELECTRIC LIMITED

A Block Shivsagar Estates Worli Bombay 400 018

2 Capital structures of the applicant organisation

Authorised Capital	Rs 200 00 lacs
Issued & Subscribed Capital	Rs 22 50 lacs
Paid up Capital	Rs 22 50 lacs

3 Location of the Unit or division to be expanded

Since the proposed raising of the equity capital of the Company is for meeting the working capital requirements and to get the shares listed on a Stock Exchange this is not applicable. The Company has branches spread all over India

4 In case the expansion relates to the production storage supply distribution marketing or control of goods indicate

(i) Name of goods

The proposal to raise equity capital of the Company to meet the working capital requirements. This will result in increase in turnover of the company which is marketing auto ancillary products and servicing and fitting of airconditioners in automobile

(ii) Licenced capacity turnover before expansion

Since the proposal pertains to meeting the working capital requirements of the company Licenced Capacity details are not applicable. Turnover for 9 months ended 31 3 1989 was Rs 17 23 crores

(iii) Expansion proposed

Turnover for 9 months ended 31 3 1989 was Rs 17 23 crores. The estimated turnover of the company is expected to reach Rs 40 00 crores in the year 1992 93. The Company is at present engaged in marketing of Auto ancillary products and servicing and airconditioning of automobiles and the proposed increase in capital will increase its turnover and income in future

5 In case the expansion relates to any service state the extent of expansion in terms of usual measures such as value turn over income etc

Not Applicable

6 Cost of the Project

Not Applicable

7 Scheme of finance indicating the amounts to be raised from each source

The company proposes to raise additional equity capital upto Rs 255 00 lacs by way of equity issue at such premium as may be sanctioned by the Controller of Capital Issues. The Company may also retain 15% of the issue in case of over subscription

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

Dated this 18th day of July 1989

for PREMIER AUTO ELECTRIC LIMITED

Registered Office

A Block Shivsagar Estates
Worli
BOMBAY 400 018

J M VAKIL
CHAIRMAN

Chinese student leaders—in agreement on this one point—have been telling us what happens Indeed, they *are* partly what happens

Freedom as understood in the socialist sense is much more often 'freedom from than 'freedom of', which is not the same thing as saying that socialism is inimical to civil liberties What it does say is that the socialist concept of freedom demands that we look at the question of civil liberties in a socialist society in its own terms and not in liberal terms And it is essentially a liberal framework that Mohanty employs when he looks at the major issues of the history of the socialist revolutions from Stalinism to Tiananmen Square in terms of the contradiction between the state and the people, in terms of democratisation and socialist democracy It must be emphasised once again that there is no point in seeking solutions to the problems of Marxist practice outside the framework of Marxism It is slightly irritating to hear otherwise intelligent people say that a repressive state apparatus may be required for a few years after the revolution, until all the enemies are vanquished but what is its need after so many decades If the enemies consisted only of a handful of imperialist agents and big landlords, then no repressive state apparatus would be required even for a few years But there is a class enemy inside each one of us and the real problem is how to drive that person out without doing too much damage to ourselves This latter proviso is not a concession to the self appointed ombudsman called the west but a real part of the problem, for the 'freedoms from' that Marxism seeks include the freedom from torture forcible confessions enforced conversion of faith, etc, which were all rights won by the bourgeoisie from feudal rule Marxism regards the freedom from an unequal, alienated, oppressive and dehumanised existence as primary, but it does not hold other rights in contempt Nevertheless there is a very real problem involved here and it is unlikely that the processes of revolutionary transformation that constitutes the historical task of socialism will ever be a very pleasant one It is evidently no longer very fashionable to say that the revolution is not a dinner party but nevertheless it is *not* a dinner party

From this perspective, the cultural revolution, whatever else may have been wrong about it was not wrong because it was a "centrally initiated campaign' nor because it was "launched by one section of the CPC leadership which was engaged in a bitter political struggle with others Revolutions, as Mohanty does not need to be told, are never conducted exclusively from above or exclusively from below And a core concern of a revolution is institutionalised power If the recent history of the socialist countries has any message it is that this struggle for power does not come to an end with the declaration of a workers state In the continuous struggle to end all inequality and oppression forces of resistance forces of counter revolution rear their heads again and again and the struggle against them quickly turns into a struggle in the arena of power the arena of politics This is much more appropriate understanding of the cultural revolution than Mohanty's reading of it is one attempt to resolve the contradiction between the state and the people What is the material basis of the forces of counter revolution remains an unanswered question despite the vigorous debate that followed the death of Mao and the denunciation first of the Gang of Four then of the cultural revolution and then of Mao himself but that such forces exist within revolutionising societies that *they* do not suffer from illusions about institutionalised power is revealed in the fact that in all the socialist countries it is they who are now in power The upsurge that Mohanty speaks of is situated within this restoration this counter revolution and its evaluation must take place within that context and not in an imagined context of socialism If under such a dispensation the people want freedom of expression and assembly multi candidate elections and the right to associate and organise the demands are entirely defensible but neither do the demands constitute socialist freedoms nor do those who are in consequence killed by the state become martyrs in the cause of socialism

The real question of civil liberties in socialist societies must be debated outside the context of these actually existing socialist countries for the conditions of the problem have been abdicated by them Let us forget those countries and think of India Any revolution in India, we all agree, will have to fight the caste system and caste values Such a revolution will in all probability claim for itself the freedom to force upper caste bureaucrats to work as *chuprasis* to harijan officers at least a couple of days every week it will further claim for itself the freedom to force all men to wait upon their wives and also the freedom to force intellectuals to weed crops or carry dung and the freedom to force managers of factories to work on the shop floor notice what new meanings the word freedom has started acquiring (perhaps *this* is socialist freedom ?) But it will be argued that all this must be done by the harijans the women the carriers of dung and the workers and not by the state Quite apart from the fact that this still leaves the question of civil liberties open what happens if the victims of these freedoms organise themselves and resist the change not in the name of caste and patriarchy (they would not be stupid enough to do so) but in the name of religion, *dharma*, order, progress science, modernisation or patriotism? These will not be just a handful of class enemies against whom no prolonged repression will be required, and whom the unarmed masses can face and vanquish The defenders of religion, order, progress and the nation will be from among the masses themselves, frequently from among the very masses whom the revolution is to liberate While a socialist society cannot set about exterminating all of them, and must concentrate on exposing the illusory nature of the issues raised, it cannot close the option of violence or at least the threat of it except under exceptional conditions of empathy between the revolutionary masses and the state It is a suicidal brand of idealism to believe that the revolution can ignore the question of state power and leave it to mass initiative to effect social transformation The revolution can only be effected by a close combination of the masses and their state of education and compulsion, of mass initiative and centralised leadership How to ensure that the basic civil rights necessary for a dignified existence are not violated even for those who disagree with the revolution is a real question that cannot be solved by wishing away the dilemma Till now Marxists have generally believed that unlike capitalism which reproduces itself through formal institutions socialism with its revolutionary task can only work through a heightened mass consciousness awareness participation and political leadership It has implicitly been held that institutionalisation of the instruments of revolutionary transformation is impossible or undesirable, except in the case of the overarching guiding spirit the party This understanding which puts too much of a premium on the prevalence of the right spirit and attitudes in the party, has been questioned off and on, and perhaps it is time to open a debate on this matter now for such institutionalisation would create space for civil rights appropriate to socialism without leaving them to the benevolence of the party The lack of such an effort is painfully exposed when, in the course of the continuous struggle between revolution and counter revolution that defines the mode of existence of socialism, the party either ossifies into a dehumanised bureaucracy or worse still ceases to be on the side of the revolution and becomes an instrument of counter revolution

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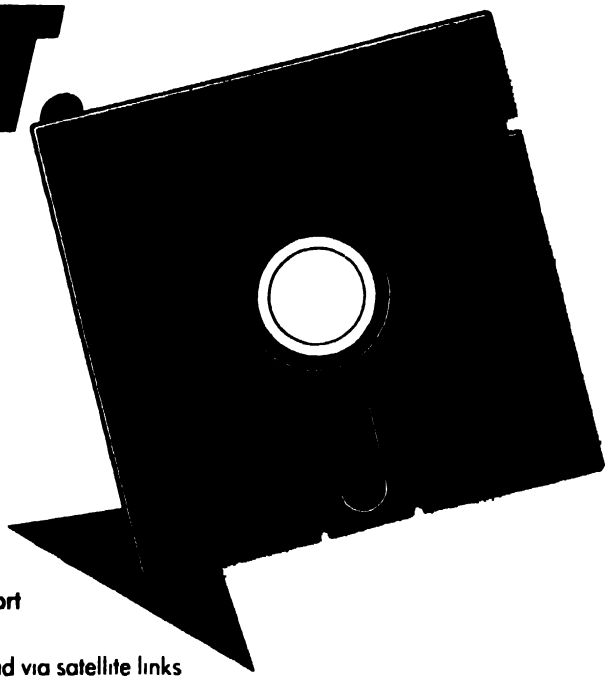

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Indian Oxygen Limited

Chairman's Statement

The following is the Statement made by Mr Bhaskar Mitter, Chairman, Indian Oxygen Limited, at the Fifty-fourth Annual General Meeting of the Company held on 26 July 1989

We have gathered here after a period of almost eighteen months consequent to the change in the Financial Year of the Company and I have much pleasure in welcoming you all to the Annual General Meeting.

During the period the country's economy as a whole has performed well thanks mainly to the good monsoon we had last year. According to the economic survey of the Government of India the GNP grew by 9.3% in 1988-89 and industrial production by 9.3% while inflation has been contained at an acceptable level of about 6%. It is now estimated that the average GNP growth during the Seventh Five Year Plan may be around 5.4% against the original target of 5%. All this goes to show the increasing resilience of the Indian economy which was able to take even the unprecedented drought of 1987 in its stride.

On the industrial front while there are indications that during the Eighth Plan the private sector may be called upon to play a more significant role in the industrial development of the country, the overall pace of liberalisation and deregulation of the Indian economy which had been initiated by the Central Government during the mid-eighties appears to have somewhat slowed down. I trust that this is only a temporary phase and that the process of decontrolling the economy in selected sectors which has already yielded significant results in terms of accelerated rate of economic and industrial growth during the Seventh Plan will be sustained in the coming years.

Performance

The Directors' Report and the Accounts for the 18 month period from October 1987 to March 1989 have already been with you for some time. On a superficial glance at the operations during this period one may be tempted to conclude that there has been a setback in your Company's performance. It is therefore necessary to examine the working in somewhat greater depth and I propose to highlight a few important issues in this regard.

Profit before tax for the period at Rs 495 lakhs has registered a marginal decline of 6% on an annualised basis over the previous year. At first sight this could be a disturbing factor but this needs to be analysed more closely. Some time ago your Company took a carefully considered decision to embark upon the modernisation projects at Jamshedpur and Durgapur as these were essential for its long term viability. That the Company is already becoming inherently stronger as a result can be seen from the fact that the turnover has grown by 13% on an annualised basis, the highest rate of growth in the last six years. Furthermore profit before depreciation, interest and tax (PBDIT) at Rs 2605 lakhs has registered an increase of 26% and internal generation at Rs 1070 lakhs a striking increase of 47% over the previous year on an annualised basis. However a price has to be paid in the short run for the heavy capital investments. Between 1986 and the period under review on an annualised basis interest charges have risen from Rs 451 lakhs to Rs 874 lakhs and depreciation has gone up from Rs 270 lakhs to Rs 533 lakhs. Consequently there has been a decline in profit before tax despite better operational performance.

In regard to dividend a totally unexpected factor intervened this time. Your Directors have recommended payment of dividend for the period under review of Re 1 per share which admittedly is not a satisfactory rate of dividend for a Company like ours. Based purely on the distributable surplus generated by the Company a higher dividend could have been recommended by your Board and I would like to explain the reasons why the Board has made its recommendation for a lower dividend. A recent decision of the Supreme Court in the case of another company has raised some doubts about the manner in which provision for Investment Allowance Reserve is to be made in the Accounts. Hitherto a company could make provision of Investment Allowance Reserve in the year in which it is allowed related tax concessions. In accordance with this recent Supreme Court decision such a Reserve however has to be created in the year in which new plant and machinery are put into use to be able to avail of the tax concessions. The profit of the Company during this period is subject to only minimum tax under Section 115J of the Income Tax Act even without taking into account the Investment Allowance. Thus but for the Supreme Court decision referred to above there would have been no need to make any provision for Investment Allowance Reserve in the Accounts which are before you. However in view of this decision your Directors have been advised that it would be prudent to make a suitable provision for the Investment Allowance Reserve. Accordingly by way of abundant caution a sum of Rs 425 lakhs has been transferred to Investment Allowance Reserve. This has absorbed the entire distributable surplus and there being no residual surplus for distribution of dividend the requisite amount has been transferred from the General Reserve Account to pay 10 per cent dividend in terms of the Companies (Declaration of Dividend out of Reserves) Rules 1975.

Gases

The workings of the operational Divisions have been dealt with in some detail in the Directors' Report. The Gases Division has shown a commendable improvement over the last year with significant increase in both turnover and profit. Sales of Liquid Oxygen and Liquid Nitrogen have also increased substantially despite adverse business conditions and the declining trend of Compressed Oxygen sales has been reversed. The Gases Industry which saw the

emergence of substantial over capacity due to proliferation of small plants seems to be progressing towards a more stable market environment I hope this trend will continue in the coming years

The Jamshedpur Tonnage Plant has been fully loaded during the period under review and has been operating satisfactorily The second Tonnage Plant at Tarapur was commissioned in March this year and was formally inaugurated by Shri Ramrao Adik Minister for Industries Labour Law and Judiciary Government of Maharashtra last May The plant has been running well since its commissioning and various steps have been taken to increase volumetric sales of atmospheric gases in the Western Region It is expected that the plant will be fully loaded during the course of the current year

I had referred in my last Statement to two other Tonnage Plants one at Hindupur and the other at Delhi Unfortunately the power supply position in Andhra Pradesh remains unstable and is unlikely to improve significantly in the foreseeable future As you know air separation units are highly power intensive and cannot be viably operated without adequate and uninterrupted power supply It has therefore not been possible to proceed with the proposal for installation of a Tonnage Plant at Hindupur As regards the proposal for the Tonnage Plant at Delhi it was linked to supply of oxygen to the Delhi Water Supply & Sewerage Disposal Undertaking Since satisfactory arrangements could not be worked out with this authority this proposal has not been proceeded with

I had also referred in my Statement last year to the Letter of Intent from the Alloy Steel Plant Durgapur for supply of oxygen I am glad to say that work on the project for installation of two air separation plants each of 400 cu m/hr capacity at Durgapur is expected to be completed in the near future

Turning now to the other activities of the Gases Division the Special Gases business has been growing steadily A contract with the Tata Iron & Steel Company Ltd for supply of pure Argon has been finalised and the project for installation of an Argon Purification Plant at our Jamshedpur unit at a cost of about Rs 4 crores has been taken up The Health Care Products Group registered an impressive growth during the period under review This Group besides marketing medical gases and equipment manufactured by the Company has also taken up marketing high tech medical equipment manufactured by various overseas companies in The BOC Group The Liquid Oxygen Explosives business also performed satisfactorily

Welding

The Division performed strongly with the various measures taken during the few years for improving results After finalisation of a collaboration agreement with Matsushita Industrial Equipment Company Ltd of Japan work on the project for manufacturing a new generation of Arc Welding and Air Plasma Cutting Equipment using solid state technology has been taken up at the Equipment Factory at Calcutta and is expected to be completed within the next few months

Plant

We can legitimately be proud of the fact that it was our own Plant Division which fabricated and erected the second Tonnage Plant at Tarapur according to schedule IOL engineers who also did much of the work on designing the Plant have incorporated a number of new features in it based on the experience gathered from operating the first Tonnage Plant at Jamshedpur

Finance

The term loan received from the Financial Institution for financing the Jamshedpur Plant totalled Rs 1468 lakhs Amortisation of the loan has already commenced Rs 177 lakhs having been repaid to the Institution during the period under review I am pleased to say that the Institutions have sanctioned a modernisation loan of Rs 1800 lakhs for the Tarapur project out of which Rs 1 3 lakhs have been obtained from them during the period under review

Maharashtra Weldaids Limited

You may remember that Maharashtra Weldaids Ltd (MWL) is a company promoted by us jointly with the State Industrial and Investment Corporation of Maharashtra Ltd MWL s project near Nagpur for manufacturing Welding Equipment Welding Wires and Accessories has completed on schedule and the plant commissioned in July last year MWL has been making regular supplies of Welding Equipment and Consumables to our Welding Division and in its first nine months ending last March this company has made a modest profit before tax

Future outlook

With the modernisation and expansion programme undertaken during the last three financial years constituting the bulk of the total capital expenditure of over Rs 67 crores your Company is well poised to play its part in the expanding opportunities of our growing economy I have already referred to the growth in turnover during the period under review The increase in turnover is expected to be sustained during the coming years

Despite the temporary dip in profit the basic health of the Company has in fact improved with both PBDIT and internal generation showing healthy growth With the full loading and optimisation of the Tarapur Tonnage Plant during the current financial year and the steadily improving performance of the Welding Division Health Care Products Special Gases and Liquid Oxygen Explosives business of the Gases Division the operating profits as well as internal generation should record a progressive improvement However the distributable surplus may continue to be under pressure for a little while

Directors

Mr S B Budhiraja Managing Director has expressed his desire to retire from the services of the Company on 30 September 1989 at the completion of his five year term Your Directors have accepted his decision with deep regret He has played a leading role in the formulation of the major modernisation and expansion projects undertaken during the last three years and they have been implemented under his stewardship During the five years he has been Managing Director he has made a significant contribution to the operations of the Company

Mr S S Prasad Vice President Gases is proposed to be appointed Managing Director of the Company with effect from 1 October 1989 and a resolution seeking your approval for this appointment will be proposed later at this meeting Mr Prasad who joined the Company s service two and a half years ago brought with him vast knowledge and experience of industry and he has successfully piloted the operations of the Gases Division during this period

On his taking over as Managing Director he will be able to deploy his talents over the whole range of the Company s affairs

Dr Graham Winfield and Mr John Stanley Hedley have resigned from the Board in May this year I take this opportunity to thank Dr Winfield and Mr Hedley for the valuable service rendered by them during their long association with the Company The vacancies caused by the resignations of Dr Winfield and Mr Hedley have been filled by the appointment of Mr Robert McFarland and Mr David Parr Both Mr McFarland and Mr Parr have been associated with the Company for a number of years in their capacities as senior executives in the Overseas Division of The BOC Group and I am sure their rich experience will be of great benefit to the Company

In conclusion I would like to thank all those who work in our Company for their commendable effort during the period we are reviewing today As I have already said the Company is poised to make steady progress and I am sure that they will all unitedly be able to ensure that our hopes are fulfilled

Bhaskar Mit
Chairm

Note This does not purport to be a record the proceedings of the meeting

IOL
Indian Oxygen Limited
A member of The BOC Group
Industrial Gases
Welding Products
Cryogenic Plants
Health Care Products

The Son, the Father, and the Holy Ghosts

Susantha Goonatilake

Black Athena The Afroasiatic Roots of Classical Civilisation, by Martin Bernal, Vol I **The Fabrication of Ancient Greece 1785-1985** Free Association Books, London, 1987

> After the rise of black slavery and racism European thinkers were concerned to keep black Africans as far as possible from European civilisation
>
> Martin Bernal (1987) in *Black Athena The Afroasiatic Roots of Classical Civilisation*
>
> The track science has followed from Egypt and Mesopotamia to Greece from Islamic Spain to Renaissance Italy thence to the Low Countries and France, and then to Scotland and England of the Industrial Revolution is the same that of commerce and industry
>
> —J D Bernal (1956) in *Science in History*

MARTIN and J D Bernal son and father have in their respective books dealt with intellectual history from a social perspective Yet, more than a generation separates their approaches

J D Bernal was inspired in the 1930s by the Soviet writer Boris Hessen Bernal senior then developed a largely eurocentric social history of science Although his book was published in 1956 it was conceived before World War II and was largely written within the broad 19th century perspective orientalism" (in the phrase of Edward Said)

In *Black Athena* the son implicitly questions the centrality given by the father to classical Greece. The father s generation and the several generations before him — followed unconsciously a Eurocentric view in describing the intellectual history of the world

Black Athena is essentially about how in 19th century Europe the primacy of the Greek experience for later European civilisation and through the latter the dominant strands of contemporary world civilisation was socially constructed The book concerns itself primarily with the glossing over in the 19th century of the Greek's own acknowledgements of their debt to other civilisations This glossing over occurred when social imperatives operating in Europe and associated with 19th century imperialism and racism demanded a special place for Athens Bernal s tightly aruged nearly 600-page first volume is part of a three volume work of reassessing this false history and of reconstructing a truer one

Bernal describes how the Greeks themselves acknowledged their strong debt to Egypt, an acknowledgement which Bernal calls the Ancient Model The Ancient Model was ascribed to by many Greeks among them being Herodotus the father figure in Greek history This Ancient Model was superceded only in the 19th century with the rise of European racism

Because of racial and imperialist considerations the Ancient Model had to be overthrown and replaced by something more acceptable For 18th and 19th century romantics and racists it was simply intolerable for Greece which was seen not merely as the epitome of Europe but also as its pure childhood to have been the result of the mixture of native Europeans and colonising Africans and Semites

A new model was now substituted which emphasised the European and Aryan roots of Greek civilisation over Egyptian and Semitic roots A broad form of this Aryan Model ' denied even basic well documented facts such as that of the Egyptian settlements in Greece A narrower more extreme form of the Aryan Model even denied any Phoenician influence

In this first volume Martin Bernal details how the views on ancient Greece were socially fabricated from 1785 to 1985 to deny the Ancient Model And in a forthcoming Volume II he proposes a revised Ancient Model where Egyptian and Phoenician influences are again emphasised

Although 19th and 20th century Source Critics took the position that the Ancient Model was concocted only in the 18th century Martin Bernal shows that this claim itself was a social construct No one had in fact questioned the Ancient Model before the 18th century historian William Mitford

Bernal records how aspects of the Egyptian heritage of Europe was transmitted through the centuries without a break This thread can be traced from the times of the ancient Greeks through the Roman period the Renaissance and the Rosicrusians of the 17th century to the Free Masons of the 18th century

With the emergence of the paradigm of progress in the 18th century a number of Christian apologists now promoted the Greeks at the expense of the Egyptians This trend combined itself with two other dominant themes of the time namely racism and romanticism With the onset of slavery and the emergence of colonial empires dark skinned African people as originators of Greek civilisation were now considered incompatible with creativity and civilisation

The fall of Egypt from intellectual grace was also accompanied by the rise of India in European eyes through the discovery of a connecting link between Sanskrit and European languages For a short time India rose in prominence through a romantic

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'Aryan' linguistic connection

By the first quarter of the 19th century, the Ancient Model had fallen from grace By then it was "scientifically proved that philosophy and civilisation had indeed originated in Greece This was very convenient for the psychological well being of the ruling class in Europe 'After the rise of black slavery and racism European thinkers were concerned to keep black Africans as far as possible from European civilisation Gradually with the rise of anti Semitism a sustained attack was also made on the Phoenician contribution and by the 1930s the anti Phoenician position had also been 'scientifically proved

After World War II the old geo political order began to change The Eurocentric order was being dismantled geographically through decolonisation and this had intellectual repercussions The resultant post World War II rethinking gave rise to attempts at revisionism of the handed truths These efforts were partly under way by the 1950s and the 1960s Bernal describes how with the help of Israeli scholars and under a new environment the anti Semitic elements in the given histories were now being closely re examined and history was being restructured

At the same time we should note that other countries in the ex colonial lands were also re examining their own histories Bernal's book is therefore a constituent and important part of these efforts at dismantling the old intellectual order and restructuring a new one.

Bernal has constructed his case drawing carefully from a wide variety of sources Yet the Aryan Model he demolishes has been hitherto supported by a well entrenched intellectual stratum Around this model has been implicitly created a total intellectual history and a large number of publications as well as a host of influential academic positions This was an implicit establishment which even for Martin Bernal's own father functioned as the factual bedrock from which to view scientific history This book is therefore bound to ruffle several feathers in this entrenched academia

Yet it comes at a time forty years after decolonisation when Eurocentric histories are being freshly re examined It is a time when winds of intellectual change are blowing from the new historical research on North Africa West Asia South Asia and East Asia This research is questioning the facts on which the largely European trajectory for science and knowledge had been built Martin therefore writes amid a major reorienting process at a time when a new brand of scholars from the Afro Asian lands are rewriting their intellectual history and forging new intellectual visions

To the latter Martin Bernal's book is both a partial liberation as well as a partial prison It is a liberation in the sense that it dismantles a racialist and imperialist vision which had been constructed on very little evidence. It is a prison because Martin Bernal still holds implicitly to a broad Eurocentric vision Although *Black Athena* re examines the relationship of Egypt to Greece Bernal does so still within a broad and implicit view of the primacy of European civilisation

Therefore whilst recognising Bernal's book as a liberating act of 'deorientalisation one should also recognise the limits of this liberation True liberation of a colonially derived intellectual history can only come when efforts such as *Black Athena* are also supplemented by similar exercises on other regional civilisations The raw material for such an examination amply exists in unexamined manuscripts and undug archaeological sites Already several Afro-Asian writers have laid the ground work for such rethinking In the coming decades, we are bound to see an intensification of this re-examination of laying to rest the holy ghosts of colonial intellectual history When this truer history is eventually written, Martin Bernal's painstaking efforts will stand as an important contribution to the liberation of the human spirit

Regional Planning for Employment

Jeemol Unni

Bringing Jobs to People Employment Promotion at Regional and Local Levels edited by Jean Mayer Sterling Publishers, New Delhi, 1989 pp 211, Rs 150

UNBALANCED growth between regions in countries at all levels of development occurs as economic growth proceeds and significant changes take place in the structure of the economy This becomes a source of social injustice tensions and instability The present volume emphasises that a balanced regional development can bring jobs to people at the local level through regional planning and help mitigate social and economic tensions Broadly regional planning becomes necessary for the following reasons

(a) Inter regional disparities cannot always be tackled by national plan Regional planning helps to fill the gap between the national plan at the aggregate level and the physical plan at the local level to meet some of the demands of the people like employment incomes or infrastructural facilities

(b) Regional planning to create employment opportunities and infrastructural facilities is necessary to prevent large scale labour migration

(c) In federal and unitary countries there is some form of local government closer to the people Some devolution of power to the regional government is necessary to meet the aspirations of the people

The book under review is an edited volume consisting of eleven articles which originally appeared in the *International Labour Review* In the introductory chapter the editor provides an overview of the papers and highlights the need for a solid regional development theory conducive to employment promotion at the local level The eleven papers have been grouped into four parts according to the aspects of regional employment development discussed by them The two articles in part I by the editor review the theory and practice of regional employment policy and planning the experiences of various countries in this regard are also discussed

Articles in part II focus on the urban and rural approaches to regional employment development Paul Bairoch pleads for a policy to limit the size of cities to medium sized agglomerations of 3-4 lakh population. This is ideal from the viewpoint of employment and conditions of life with an increase in size beyond this the disadvantages outweigh the advantages

The lack of a national regional planning system is clearly reflected in the rural areas in countries like India Most employment generating schemes may have some effect in the short run but do not constitute a solution to the problem in the long run, since the main obstacle in less developed countries is the land tenure and land use systems

A S Oberoi reviews land settlement programmes and reasons for their failure in many countries Settling population in new lands is often undertaken as a substitute for land reform which is politically difficult For such a programme to be successful a well planned long term settlement policy has to be devised which considers the problems of second generation settlers as well This needs to be integrated within a regional framework that includes development of an agro-industrial and services sector He argues for the alternative of a rigorous land reform in already well settled regions where there is scope for increasing agricultural productivity through the introduction of irrigation There is an urgent need to review settlement policy in the light of ever increasing real costs of new settlements in more marginal lands The alternative of increasing agricultural output and achieving a more equitable distribution of land and incomes through intensifying cultivation along with comprehensive land reforms has to be considered That is, settlement of increasing populations within the regional context through an employment programme included within the regional plan is desirable

The two articles in part III are clubbed together on the ground that they consider two innovative methods of data collection and analysis applicable to developing and developed economies respectively (Lothar Richter and Denis Maillat) Denis Maillat's paper is however more than just a strategy for data collection He devises a method to

study the labour market its structure and functioning in a well developed market economy The third points to the need to strengthen the mobility channels in a region What is important for a region is not just employment but a combination of jobs and scope for vertical mobility which is the decisive factor in a high quality labour market structure Regional planning is necessary to make the most of the development potential of a region to create jobs and preserve attractive and diversified employment structures at the regional level

The last part of the volume presents some case studies at the country level The first two papers emphasise the need for regional development to stimulate employment creation taking the case of Madagascar (C Rabeyatalo) and North East Brazil (Jorge Litobai) respectively Claude Cuichaoua Marteu and Miller's paper evaluates five special public works programmes implemented in Burkina Faso Burundi Nepal Rwanda and the United Republic of Tanzania And finally Peter Kuenstler reviews some local employment initiatives in western Europe

Overall the usefulness of the volume lies in focussing attention on the need for regional planning to tackle the problem of employment at the local level In the Indian context, the growth process in the economy has failed to absorb labour productively in agriculture or industry There is a growing tendency to treat the unemployed rural population as a residual and tackle their problems on an *ad hoc* basis through government sponsored relief works and programmes This amounts to treating the question of the distribution of income separately from that of production The problem of rural unemployment and poverty cannot be disassociated from the overall strategies of industrialisation and planning The employment situation of rural labour and their conditions of living can be improved only if the country plans for absorbing them productively in agriculture or industry These aspects need to be considered within a framework of an integrated development plan both at the regional and national level and not merely through stop gap actions and programmes As emphasised in this volume given proper perspective and planning the removal of regional economic dualism of the country can go a long way in helping to solve the problem of unemployment both in rural and urban areas

Women and Ecology

Sharad Kulkarni

Tribal Women and Forest Economy Deforestation Exploitation and Status by Walter Fernandes and Geeta Menon Indian Social Institute, New Delhi 1987 pp 178 Rs 35

At last the gender issue has invaded the field of ecology and that too very effectively In 1986 Bina Agarwal came forward with a very good work on the effect of wood fuel crisis in the third world and particularly on rural and tribal women [1] Agarwal tackled the issue in a very general way covering a number of countries in Asia and Africa

The book under review is a study of a micro region in Orissa The object of the study is to analyse the role of tribal women in the informal forest dweller economy Several examples in the book illustrate that though the negative consequences of deforestation namely reduced food supplies increased distance from forest and deprival of medicinal herbs without access to modern alternatives are felt by all the forest dwellers they are felt more by women than by men This is mainly because of the present division of labour in the family Women collect fuel and fodder and the workload relating to these activities is increasing day by day

Because of deforestation employment opportunities in forestry are gradually declining and men have to migrate to other areas seasonally in search of jobs This results in further increase of workload on women Thus environmental deterioration has resulted in the deterioration of women's social physical and economic status It has weakened tribal communities in general and the social organisation of their women in particular One of the findings of the study is that though the status of tribal women is much better than that of Indian women in general the discriminatory values are being slowly but definitely extended also to forest dwellers in Orissa This is true of all the tribal communities in the country The authors plead for a very active involvement of women in all the programmes of afforestation They have recommended community plantations with women's involvement An example of plantation schemes implemented mainly by women in the Vishakhapatnam district of Andhra Pradesh under the guidance of the Bhagavatulla Charitable Trust is cited, alongwith schemes run by Sewa Mandir in Rajasthan and Gram Vikas and Prem in Orissa The authors also recommend the popularisation of fuel saving and smokeless chullahs The findings are the result not of a formal survey but of observation and discussion by an active participant

It is pointed out that deforestation leads to immiserisation and pauperisation of the tribal communities and it is necessary to effectively implement all the available poverty alleviation programmes health schemes and programmes for women The authors rightly complain that though women contribute more than men in terms of the amount spent in cultivation collection and processing of forest produce, their role is often ignored or at the most given insufficient importance in the formulation of forest development projects They plead for a change in the official attitude

Recently Vandana Shiva has come up with a very comprehensive study of the effect of ecological deterioration on women [2] She forcefully argues that there is an intimate link between the degradation of women and the degradation of nature in contemporary society The masculine arrogance of technology and the concept of man as the conquerer of nature lies at the root of modern economic development which is the main cause of ecological destruction The fight for ecological stability is basically a fight against the mania for accumulation more and more production and modernisation The book under review is a good supplement to these general studies by Bina Agarwal and Vandana Shiva The findings are supported by plenty of data

Notes

1 Agarwal Bina *Cold Hearths and Barren Slopes The Woodfuel Crisis in The Third World* Institute of Economic Growth Allied Publications Bombay 1986

2 Vandana Shiva *Staying Alive Women Ecology and Survival in India* Kali for Women New Delhi 1988

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Unemployment, Technological Dynamism and Need for Government Intervention

A Closer Look at 1989-90 Budget

Arun Kumar

Government needs to be viewed not in isolation but as the totality of the interests it represents. Its policies are the outcome of the pressures from the ruling interest groups whether the organised sectors, agriculturists or foreign interests trying to enter the economy and sectors of Indian business trying to keep them at bay. Government policies are constrained by these political realities and its capacity to utilise the economy's resources more rationally is limited in the process. The result is a vicious circle. Resources are wastefully utilised which increases social tensions and demands on the government and then feeds into more waste.

The 1989-90 budget reflects the incapacity of the government (and the ruling classes it represents) to take the steps necessary to break out of the low growth trap the economy finds itself in. The fiscal crisis facing the government and limiting its capacity to intervene in the economy remains unchecked. Efforts at creating employment are too small in comparison to the needs. Little effort is likely to be made on raising resources through the taxation of services. Technology is unlikely to take off to raise efficiency or reduce costs to make Indian goods export competitive. The capital goods sector is likely to face greater difficulties.

I

Is There a Resource Crunch?

THE budget for 1989-90 is being described as pro-poor or anti-rich or as an election year budget. It is being applauded for its attempt at fiscal discipline and for putting greater stress on employment creation specially for the poor. It has also been noted for making a beginning at taxing services and introducing greater competition in the economy by decontrolling prices of aluminium and cement.

In his budget speech the finance minister noted that under RLEGP and NREP 67 crore man-days of employment were generated during 1988-89 as against the target of 50 crore man-days. Not satisfied he added, 'a direct attack on the problem of *unemployment* is essential' and stressed the need to "allow fuller employment opportunities to at least one member of each family living below the poverty line. The provision of this new programme will be Rs 500 crore in 1989-90. Including this the provision for employment programme will be Rs 1,711 crore in 1989-90 (pp 8-9). Agriculture and fertiliser subsidy provision is being stepped up and will reach a level of Rs 5,173 crore' (p 11). These are the specific pro-poor steps in the budget.

The anti-rich features of the budget are taken to be the increased burden of taxation on the rich. These are to provide the required resources for employment generation. The income tax surcharge is being raised by 3 per cent for this purpose. The finance minister is also increasing the taxes on the consumption of the rich. This last step is also to "discourage low priority imports which go towards the consumption of upper income groups" (p 7).

The attempt to narrow the revenue account deficit in the budget is taken to be the first step towards greater fiscal discipline. The deficit in the revenue account, the second largest item in the revenue account, is being held in check. In real terms the defence budget would be lower than in the preceding year. The contribution from the public sector units to the budget is stated to rise. The finance minister notes with obvious satisfaction that their net profit rose to Rs 694.19 from Rs 69.79 crore in the corresponding period of 1987-88 (p 3). This trend is expected to continue in the coming year as well.

In the pre-budget *Economic Survey* and in the budget speech the government suggests and most analysts agree (a) that the economy has done well in 1988-89 and (b) that it is likely to continue to do so in 1989-90. Everyone also agrees that government is facing a fiscal crisis, a resource crunch. In other words, *the economy is doing well but that is not reflected in the state of health of the government's finances.*

Agriculture having recovered from the 1987 drought would grow at 20 per cent. This is not due to policy. However the finance minister says: For four years in succession manufacturing output has grown by over 8 per cent per year which is a clear vindication of the industrial policy of the government. The plant load factor of thermal plants has gone up from 50.1 per cent in 1984-85 to 56.5 per cent in 1987-88 (p 2). In his opinion the problem areas are: the stimulation of savings and the containment of the budget deficit; measures to restrain luxury consumption; prudent management of public expenditures (pp 4-5).

These reflect the government's concern at the growing fiscal crisis. This is not simply a result of the growing expenditures by government but the past catching up. The better performance of the economy implies that more resources are being generated in the economy. However the government is unable to tap them to improve its financial viability.

Today the budgets of governments (at all levels) in India affect over 40 per cent of the national income. The manner of mobilising and spending these resources affects the actions of other economic agents. *The fiscal policies of government affect the direction of use of the nation's entire resources* and are critical for making their best possible use.

Government needs to be viewed not in isolation but as a totality of the interests it represents. Its policies are a resultant of the pressures from the ruling interest groups whether the organised sectors, agriculturists or foreign interests trying to enter the economy and sections of Indian business trying to keep them at bay etc. Government policies are constrained by these political realities.

Government's capacity to utilise the economy's resources more rationally—rational both in the sense of fuller utilisation and the direction of utilisation—is limited in the process. The result is a vicious circle. Resources are wastefully utilised which increases social tensions and demands on the government and then feeds into more waste.

Wasteful use of resources and the opportunities for development foregone are then at two levels. The waste when resources remain potential and do not become actual, that is, they are left unutilised. The second concerns the misallocation of that which is actually generated. An example of this is the unbridled expansion of the bureaucracy. Expenditure on it is one of the factors for the

growing fiscal crisis in India The fiscal crisis is a result of both forms of waste

In a nutshell concessions demanded and obtained by those represented in the power structure lead to an ever increasing draft on the nation resources This is not all *They also determine the manner in which resources can be mobilised* This reduces the capacity of the government to set in motion the unutilised resources in the economy Though obvious *unemployment is the biggest waste in the economy It is often unstated and ignored since the unemployed are politically unrepresented*

It traps the government in a vicious circle of having to mobilise more and more resources for the same economic effort [Kumar 1988b] On this the finance minister says As much as two thirds of the budget expenditure really take the form of financial transfers to other spending entities by way of interest subsidies grants loans etc' (pp 4 5)

These trends show up in the budget year after year in the form of the growing fiscal crisis The growth in the economy remains low and appears as a crisis amidst plenty This year with rapid growth there are even more resources in the economy These need to be mobilised for the growth process

II

Election Year Gloss on the Budget

Some have argued that many of the features of the 1989 90 budget which are being hailed are mere tricks for putting gloss in an election year For instance the reduction of the deficit in the current account is a result of the reduced defence burden resulting from a lower provision for pensions It is also the result of transferring Rs 2,300 crore from the oil pool This is not a new item but the borrowing was never so large. It makes the deficit incomparable with the figure for the preceding years

Capital expenditures are shown to rise little over last year s levels The budgetary support to the Plan is shrinking while the public sector undertakings are expected to borrow directly from the market The total deficit in the budget is not comparable across years the borrowings component is not comparable

The budget for 1989 90 is not anti rich by any means In spite of the increased surcharge and tax on luxury consumption the overall trend remains one of growing concessions to the rich The high ratio of direct to indirect taxes remains unchanged The former falls only on the better off sections The latter if it is to contribute significant revenues, cannot only depend on the taxes on luxury goods which have a high elasticity of demand and/or a narrow base of consumption

Indirect taxes depend for a bulk of the revenue on items of mass consumption or intermediate or capital goods whose price increases work through the economy and fall on the consumption of the non rich This year too the increases in indirect taxes and freight will end up falling on the prices of items of consumption of the non rich

There are several concessions to the direct tax payers Deposits under Home Loan Account Scheme will be exempt under 80C and from wealth tax Capital gains from investment in National Housing Bank will be exempt under 54E One third of the income from poultry farms would be tax free (p 27)

Beyond all this the non removal of the various concessions to the direct tax payers itself is a major concession The various schemes of concessions like under 80C 80CC 80CCA, 80E 54E 54F etc, allow the tax payers to reduce their tax liability by a substantial amount and earn tax free incomes

For instance consider the impact of PPF and PF Contributions to these schemes are tax free under 80C The interest from it (around 12 per cent per annum) is also tax free If the minimum contribution is one month s salary with another month s salary contributed by the employer within 17 years the annual accrual to PF or PPF becomes equal to the annual salary and that too tax free NSC have a similar effect Salary earners and others in the taxable brackets are becoming renters

The burden of indirect taxes has been raised this year too The finance minister claims that 70 per cent of the excise duties are specific and need to be adjusted from time to time to bring them in line with their prices Hence he has proposed an across the board increase of 5 per cent He has tried to limit the damage by exempting items of mass consumption (p 29)

However as mentioned earlier the increases in excises on basic items like iron and steel or aluminium or capital goods would affect prices all round Each of these items faces a rise in duties this year If the budget was to be pro poor it ought to have raised the additional amount of resources needed through elimination of concessions on direct taxes This would have also simplified the tax structure

The 1989 90 budget is hardly anti rich or pro poor Even if it was so it is not guaranteed that the government may not reverse this year s trends after the elections

III

Some Features of the Budget for 1989-90

Interest Burden and Risk of Investments

In the economy the savings rate seems to be declining The government implicitly claims that this is a result of inadequate incentive to saving This has become the rationale for increasing interest rates in the economy The savings in the economy are largely made by the households Savings from the public sector and the corporate sector (in the form of accumulation of reserves) have been low

The financial savings are with the commercial banking and the financial institutions of various kinds There is a large element of tax concessions associated with savings in PF PPF, LIC, fixed deposits, public sector bonds NSS NSC post office deposits etc These are expensive to the government in terms of taxes foregone The actual cost to the government is much larger than the interest burden

The tax related savings are by definition relevant to the tax paying public This implies perhaps 50 lakh individuals i e, less than 0 7 per cent of the population Considering that the rich households have more than one tax payer and often 4 or 5 the percentage of households in the tax paying brackets would be even less This is where the tax related savings originate and the return flow of the interest incomes from the government received

Many in this group are turning from predominantly fixed income earners to property income earners with rent dividends and interest incomes Such individuals would still save the same if the government gave them a lower rate of return The tax benefits are substantial The reason why the interest rates have not been cut lies in the existence of the black economy and the informal credit markets [Kumar, 1988]

These high interest rates create a problem The average rate of return expected from investment in industry needs to be higher to cover risk With rising rates of return on government securities the rate of return in industry also has to be raised through policy Government has to either give more incentives to industries to make investment in industry attractive or few industries (those with high return) get started Concessions add to the fiscal crisis

One of the factors in investment decisions is the high return in black i e off the balance sheets That is why not only investment keeps on growing in areas showing a loss or low profits but also the control of industries even if they are making losses is important The recent takeover bids (starting with Swraj Paul) need to be seen in this context

Investment decisions today depend on the ability to manage the political environment This is not only so for retaining the black incomes but also for getting concessions and licences Cornering of licences through political manipulation yields monopoly profits This is an important element of risk of investment Favourable policies can get reversed under other pressures For instance, take the case of consumer durables, like cars and electronics in this budget The new imposts on these items by leading to a rise in their prices would reduce the size of their market and lower their profitability

Policy gets itself into a vicious circle Instead of dealing with the fiscal crisis directly more and more concessions are being yielded to the property owners and this then becomes an additional cause for more concessions The fiscal crisis continues to

deepen The need is to check the growing black economy, cut interest rates on tax related savings and to eliminate some of them This would result in lowering the mounting debt burden, channelising savings into other avenues like industries, simplifying the tax structure and reducing the attractiveness of investments in real estate

INDIRECT TAXES ON K GOODS

The confusion in policy is also reflected in the policy with regard to the capital Goods sector Imports are sought to be made cheaper by a reduction in their import duties This may not work if the foreign suppliers simply raise their prices The foreign supplier may find that the internal price cannot be cut for various reasons like impact of duties etc and that he would remain competitive even if he absorbs most of the benefit of the reduced duties

An attempt to lower the price of capital goods is a laudable one However the high price of capital goods must be seen in the context of the fiscal policies the scale economies available in the economy and the need to have a viable capital goods sector in the economy High indirect taxes are a major reason for the high prices of various indigenous products [4] These duties need to be removed before the indigenous industry can face foreign competition resulting from lowered import duties

Import duties need to be viewed in the context of protecting the indigenous industry for strategic reasons of self sufficiency Even if scale economies are not available to the indigenous industry and therefore its product is expensive it cannot be allowed to fade away A price higher than the international price may have to be accepted Import duties have to be pegged at a level consistent with the higher cost of production Alternatively production of capital goods could be subsidised to make its price internationally competitive

Allowing more imports of capital goods where capacity exists (like in power cement textiles) would further lower capacity utilisation and raise costs of manufacture In the context of lowering costs concessions to NRIs are being offered to bring in technology Question arises why not also to indigenous entrepreneurs at the same rate?

Another proposal is to locate production elsewhere where capital costs would be lower Again for the sake of employment it would be better to set up the same facilities in India by granting them the same concessions as would be available elsewhere The free trade zones would be ideal for such a purpose

The budget proposals on cheapening of capital goods on the grounds of reducing the cost lead of manufacture in the economy represent pressures for more concessions and need notto reduced prices More specifically the pressures are from the transnationals and the Indians abroad to allow them to enter the Indian markets The government is forced to yield to these pressures due to its internal weaknesses on account of the fiscal crisis it faces The Indian business classes which could be expected to oppose these moves are split on this issue and do not speak on this subject with one voice. There is a group amongst them which hopes to benefit in alliance with the external forces

Pressures to cheapen capital goods is not stronger since Indian capitalists on the whole are not necessarily hurt by the high prices of capital goods for they are only interested in a return on their investment With rising levels of interest rates the capitalists demand and obtain greater concessions In the process as prices of capital goods rise they get a higher share of the national income

The rising prices of capital goods reflect in the index of prices of capital goods rising faster than the general index This reduces the volume of public investment fixed in financial terms To step up the level of investment in the economy to increase the growth rate then requires greater incentives to the private sector It has become an instrument for raising the share of surplus in national income Countering this by imports of capital goods is no solution since that would throw the baby with the bath water The need is to reorient fiscal policies

SERVICES SECTOR GROWTH AND FISCAL CRISIS

The share of the services sector in national income has been growing Since the mid Eighties it has become the largest sector of the economy It is suggested that since this sector has made the tax net the buoyancy of taxes is lowered The argument runs as follows The sector does not contribute to indirect taxes which are the dominant component of tax revenue Thus a growing share of the national income is going out of the ambit of the dominant tax component This analysis has a flaw

Agriculture the declining sector does not pay direct or indirect taxes while the services sector at least pays direct taxes As such the base of taxation is growing The base of indirect taxes has been the secondary sector and its share remains unchanged As such the base of taxation should expand and tax revenue must show a buoyancy greater than the rate of price rise plus the real growth rate of the economy

The buoyancy in indirect taxes is a result of the spreading net and the rise in the rate Many of these taxes are *ad valorem* (apply on the value of the good) The tax revenue then rises with the value of the good The value of the good includes the component of services going into the good So indirect taxes are also falling on services

Imposing special taxes on productive services would raise prices of goods as in the case with indirect taxes Taxes on consumptive services will have a smaller effect on prices Since services are difficult to value imposing an indirect tax on them will pose a major problem Evasion of taxes in this case could rise unless better compliance can be enforced [6] The high price of consumptive services may be economically acceptable in spite of the likely tax evasion since it may reduce their growth rate.

The purchasers of productive services, the businesses are largely indifferent to taxes on services since what they pay for services (produced in house or bought in) are costs to be deducted out of their profits They do not lower the gross profit of the businesses unless sales are affected Even then services are paid for out of pre tax incomes so that their cost to the business is only a fraction of the price they pay If services are to be taxed without affecting prices direct taxes need to be used The corporation tax should be levied on the gross profit gross of the services But then it would take on the character of an indirect tax akin to a VAT including bought in services

The question then is how to make businesses more sensitive to costs The threat that could work is a loss of markets i e a competitive environment This is hardly likely in modern industry with the available scale economies International competition could however be used This is feasible as suggested above only if fiscal policies are modified to remove indirect taxes to lower the cost of production Adding another indirect tax to capture expenditures on services is not going to force the indigenous industry to become competitive or to force reduction in price

In sum a move to VAT net of material costs only may force businesses to economise on the use of services and yield revenue to the government However this is like an indirect tax which would put an upward pressure on prices and make the Indian economy less competitive To counter this if import duties are reduced to force lower prices Indian industries would decline The only way to bring the growing services sector in the tax net without raising prices or making industry less competitive internationally is by shifting from indirect to direct taxes [illegible] of the current

STRATEGY

Lowering of production costs may be attempted through use of more advanced technology Indeed the government uses this as the justification for liberalising imports of technology and input This argument has come in useful to the private sector specially those who see their interests as tied to the transnationals and the NRIs to obtain greater concessions to increase their share of the national income

Indigenous technology has not developed enough to be able to sustain the drive for new technology hence the dependence on foreign technology One of the principal reasons for this weakness lies in the *ad hoc* nature of the science and technology policy pursued in the country [Kumar 1987] It has

been pointed out that an important element of risk of investment in R and D is the rapid switches in policy itself

This view on cost cutting is based on a narrow understanding of cost The wider view of cost is a social one For instance today the costing for environmental degradation is almost absent This cost is being shifted to the future generations so as to cheapen goods made available today On the issue of costs as social some clarity could have emerged from the experience of the socialist economies However they are themselves giving up the concept of cost as being in large measure social In the emerging view public sector is seen as inherently inefficient and unable to adapt quickly to a changing situation and unable to lower costs in face of competition

The concept of cost relates to the value of inputs in a given output The more output can be obtained out of given inputs the more is said to be the efficiency of the unit (industry or society) and the cost of production reduced Lowering the cost of capital the return on it and the interest rate structure would lower a component of cost of production

The reduction in material input and services (going into production) per unit of the output lowers costs This relates to the payments to labour utilisation of the socialised labour The less of it is used to produce a given volume of output the more efficient production is and cheaper are the goods It utilisation of labour in unproductive uses rises society becomes less efficient even if individual units become more efficient in terms of their input output

Examples of such wasteful utilisation of labour are in over blown administration services related to taxation, etc. However the biggest of such waste is underemployment unemployment This is socialised labour which needs to be economically supported but is unable to contribute to the output Thus, in terms of input output, the cost rises It also leads to missed economic opportunities which cannot be made up later

Technology can be of the embodied or the disembodied kind Changes in the system of organisation which allow a higher output per unit of labour like better governance less of management personnel per unit of output better organisation of work time as in an assembly line or shorter inventory lines are examples of disembodied technical change It is in these aspects of technology that the socialist countries have been deficient They have also been deficient in another area marketing

Marketing in the modern context is a means of inter connecting the production process to demand When change is rapid as in a competitive economy with firms trying to capture each other s share through innovation marketing becomes a critical skill Socialist countries and public sector in India have ignored this area as being unnecessary, as being in the nature of an overhead and not related to production However, in the absence of alternative structures to do this task this skill is a force for dynamism and innovation in a fast changing market structure Economic entities unable to respond quickly to changes in the market place need to evolve a mechanism corresponding to this skill

Technical change in recent times has been accompanied by rising output per unit of labour This is a result of the electronics revolution With the micro processor based revolution new products are rapidly becoming available precision has greatly increased and capital costs have fallen Output per man has also increased as a result of the changed labour process used in computer based production

The increased division of labour in production processes was the basis of earlier mechanisation in factories It involved the worker in repetitive work which could be performed by him at great speed Output per unit of labour went up This historical trend seems to be getting reversed now Machines can perform tasks repetitively much faster and with much greater precision This displaces large amounts of labour It is doing so in not only relatively unskilled jobs but also in skilled ones Employment is being generated at a skill level one step higher in design and conceptualisation of the production process

These trends are also raising productivity per unit of labour in the hitherto stagnant area of services Offices banking and finance etc require far fewer workers for a greatly expanded volume of work Such large increases in output per unit of labour reduce the component of labour in output Cheap labour without access to technology and skills then is no more an asset in international competition and in any export drive

Technological changes are also seeping into the Indian economy Government is allowing import of advanced technology The imports are also growing due to the rising demand for consumer durables and luxury items which are import intensive The growing volume of imports require growth in exports to maintain the balance of payments International competitiveness has become important for exports

This requires importing technology for the export sector similar to that available abroad and fuels further imports Imported modern technology is raising output per unit of labour in the Indian economy Since this is accompanied by growing imports the volume of internal production cannot rise commensurate with the growing labour productivity It leads to a trend of growing unemployment and underemployment and of social waste even if some firms become more efficient in the narrow sense

In sum the debate on the liberalisation of the economy and making it more efficient confines itself to the firm level efficiency defined in terms of input and output Its link with the efficiency at the national level is ignored At the national level it needs to be measured in terms of various social indicators For instance, deficiency of demand and the resulting unemployment and the unutilised capacity can make the most efficient plant inefficient in the national context By raising social tensions, it raises social costs which are seldom counted Policy needs to face these issues squarely

Slow Growth and Capacity Utilisation

In a capitalist economy employment depends on investments Given the distribution of incomes if there is spare capacity in the economy a stepping up of the level of investment leads to a stepping up of employment However *in a capitalist economy the private sector does not automatically invest the amount necessary to take the economy to full employment or to the maximum possible rate of growth*

Investment decisions are known to lead to instabilities in capitalist economies With its atomistic decision making the investment decisions based on the prospects for future profits become either unduly pessimistic or optimistic This results in fluctuations in economic activity Government intervention can even out such fluctuations

In the Indian context slow growth in some of the major sectors imply that demand is inadequate and on the average incentive to invest low The lack of demand in the economy reflects itself in excess capacity in certain sectors and sickness in others This in turn reflects in low capacity utilisation in say the capital goods sectors *The private sector is unable to significantly step up growth by increasing the rate of investment even though (as data show) the propertied classes are getting a growing share of the incomes in the economy*

With slow growth investment in productive assets does not promise adequate returns The growing surplus in the economy gets channelled to activities which promise the highest return Speculating on shortages is one such typically in commodities or in non reproducible assets like land The more money flows into such activities the more their prices rise and the more they attract funds This sets up a vicious circle of price rise and investment in unproductive activities Trading and real estate have become favourite activities amongst the surplus owners

The low growth in demand in the economy is manifested in the short run in idle production capacity and increasing levels of stocks Over the medium run it would manifest itself in declining levels of investment in related areas (so that the level of capacity utilisation does not fall further) Over time, capacity utilisation would rise as demand rises for natural reasons and old machine stock depreciated

Capacity under-utilisation may remain substantial in industries where the gestation period of investment is long, like in basic industries and for infrastructure. This has been

observed in the Indian context The main impact of deficiency of demand then is on the rate of growth of the economy It remains low due to the low rates of investments

The economy is trapped in a vicious circle of low growth, and worsening distribution To correct for this, at a minimum, the growth rate must be stepped up keeping in mind employment generation The Indian industry came out of its low growth phase (starting in mid sixties) in early eighties This possibly was a result of an all round decline in excess capacity in the economy and opening up of new investment opportunities In the infrastructure sectors due to a lack of adequate investment in the sixties and the seventies even bottlenecks appeared

The failure of the public sector to lead the growth in the economy in the seventies led the government to shift emphasis to the private sector The trends the world over to either denationalise or to open the economy to private sector (in the socialist economies) gave a sanctity to this idea Public sector is seen to be inefficient The worker in the public sector is seen to be inefficient He is supposed to lack incentive to produce in spite of the high emoluments he receives[5]

A growth area was chosen to encourage private investments In the eighties it was the consumer durables industry The rising incomes of the propertied were to be the source of demand to fuel the growth of the Indian economy

Government seems to have realised the limitations of this strategy It had a narrow base This could conceivably have been supplemented by raising employment for the poor through special employment schemes However resources were required to be raised from those who have them the propertied But this went contrary to the idea of allowing higher incomes to the propertied to stimulate their consumption

The budget for 1989 90 seems to have targeted food processing as the new growth area It is hoped that it would stimulate the growth of the agricultural sector and employment Various concessions have been offered to this industry A new ministry has been set up specifically to oversee the growth of this area However the trends are that this area too would be highly capital intensive and foreign technology intensive Large number of transnational companies are trying to enter this market

It could no doubt lead to a smoothening out of the fluctuation in agricultural prices It could therefore, lead to a shift in the terms of trade to the benefit of those farmers who have the marketable surplus But its impact on the rest of the consumers would be negative, specially on those below the poverty line and who depend on the low prices of the seasonal food items for their consumption If employment and incomes rose this would be countered but the rising output per unit of labour could prevent this from happening and aggravate the crisis

The growth of a capitalist economy is *helped* by the existence of an external sector which generates additional demand for the national economy The export market has traditionally played this role. It raises demand beyond what the internal economy is itself capable of generating The result is more investment utilisation of idle resources and more growth However, as argued this has led to import of technology and to a rise in the output labour ratio which can aggravate the tendency of deficiency of demand in the economy

IV

Government Intervention Technology and Investment

There is an interlinkage between on the one hand investment technology the rising shares of surplus and the services sector in the Indian economy and on the other the low growth rate of the economy The linkage with the latter two was discussed in Kumar [1988a]

The link with technology and investment is taken up for discussion here It is a well known feature of these two that they have a dual nature While investment leads to a rise in the level of output it also leads to a rise in the level of capital stock and reduces the opportunities for future profitable investments This has been exploited in the models of business cycles to explain economic cycles

Technology can also have a similar impact on an economy On the one hand it propels investment in the economy since firms would like to take advantage of the higher levels (than those who do not use it) of profits it allows This raises the level of output in the economy On the other hand if the output per unit of labour rises it raises the share of the surplus in the economy (and lowers the share of wages) and reduces the level of employment at a given level of output The wage bill (for a given output) shrinks and leads to deficiency of demand which causes a downturn in economic activity The net effect depends on several factors

The consumption out of surplus may rise However it is not very sensitive to the rising levels of incomes of the surplus earners[6] Worse even the slow rise is lagged Investment activity is also lagged on profits Profits investment decisions increases in production of investment goods and deliveries of capital are all lagged with each other [Kalecki 1971] The immediate effect of a rise in the share of profits would be a decline in overall demand in the economy

A rising share of profits is likely to be accompanied by a tendency for overall demand to be deficient in relation to the productive capacity of the economy [Machlup 1960] An increase in the rate of investment is then needed to prevent slow down in growth

This is not automatic since capitalists fear economic obsolescence and the rapid depreciation it requires Only if technical change brings with it new products and requires newer lines of production to be opened does the level of investment rise and reverse the trend of growing deficiency of demand Thus, the nature of the technical change is important from the point of view of its net impact on the rate of investment and whether it enables the capitalist economy to correct its own deficiency

A rise in the level of output per unit of labour brings with it a possibility of reduced prices This could raise the purchasing power of the employed and raise the level of demand However such an outcome does not come about for two reasons First there is the productivity inflation It is based on a rise in productivity in some industries and sectors and not in others The wage rates in the productivity leading areas rise and spread (as norms) to others The average prices go up rather than falling [Streeten, 1967]

Second capitalists with control over technology prefer to expand margins and raise their levels of profits rather than lower prices New technology usually has a scarcity premium and allows monopoly profits The existence of the older technology for reasons of incomplete depreciation and niches in the markets and slow junking of old plants prevent the prices from falling A rapid spread of the new technology can prevent profit margins from rising[7]

There is another critical reason for why a rising level of labour productivity is not leading to a commensurate decline in the prices This is a result of a rising concentration and specialisation in production These tendencies lead to a rising demand for services for final sale of the product Till recently the growth in productivity in the services sector has lagged behind than in the material goods sectors As a result the rising share of services in the national economies is leading to a slow down of the tendency of cheapening of goods The prices of final products hardly fall if at all

Consumer resistance (among the organised sectors) to price rise is weakened in a situation of rising prices Not only do expectations of price rise and that the price rise can be neutralised by pay increase get entrenched in the economy but also, any idea of cost of production is absent With a new product the idea of its cost of manufacture is bound to be even weaker Product differentiation through advertising and marketing techniques tries to present even old products as new This is inflationary

The transnationals enjoy enormous clout in terms of market power due to the financial strength image and brand names They are able to charge fancy margins for their products This is also true for the large indigenous producers in the third world, including in India

Finally the consumer resistance is also weak due to individual items of purchase being a tiny fraction of the overall family budgets The budget constraint does not act on individual items of purchase Price rise

affects the savings propensity For the middle classes in India the budget constraint acts on the purchases of consumer durables

To sum up technological change by raising the level of output per unit of labour tends to create a deficiency of demand in the economy This tendency could be countered by a cheaper mix of products of new technology However this is prevented from happening by the prevailing institutional factors in a capitalist economy The existence of an *external market is a possible way out of such a situation*

A Model of Deficiency of Demand

In a capitalist economy with ongoing investment and an accompanying technical change the impact of these two on the tendency for deficiency of demand growth rates and the need for external markets need analysis This is attempted here

Technology is the crucial link in the model It is represented by output per unit of labour say β β rises with the level of investment in the economy As newer machines are installed the average level of output per unit of labour rises Disembodied technical progress would raise β without any investment With embodied technical progress at a given level of investment as newer machines come into use β can be expected to rise

The rise in β at a given level of investment can be expected to be larger or smaller as the pace of technical change varies For instance with the electronics and computer revolution the pace of change has become far more rapid

A rising β at a given level of output would lead to unemployment and a rising share of the surplus This would lead to a deficiency of demand in the economy unless counteracted by a rise in investments

With a rising β the share of profits rises and would induce a higher level of investment decisions and lead to larger deliveries of equipment Capitalist consumption would also rise with a time lag Since the immediate impact of the rise in β is on employment the deficiency of demand would result from the decline in workers consumption

β would then raise the level of investment and increase the deficiency of demand in the economy

Let investment be expressed as a ratio of the capital stock in the economy and represented by ϕ

Then ϕ per unit of time would rise with β as noted above

ϕ would also rise with the level of output in the economy through an accelerator mechanism But the level of output is dependent on the level of investment in the economy through the multiplier Thus the rate of rise of ϕ per unit of time also depends on ϕ itself

The existence of the deficiency of demand would imply the existence of spare capacity and act as a damper to the rise in ϕ In sum ϕ per unit of time would rise with β with ϕ but decline with the deficiency of demand

Let the deficiency of demand in the economy be expressed in relation to the level of output and be represented by σ As argued above, this would be lowered by a rising ϕ but raised by β

These inter relations between β ϕ and σ over time may be expressed in the form of the following linear differential equations

$$d\beta/dt = a\phi$$
$$d\phi/dt = b\beta + c\phi - e\sigma$$
$$d\sigma/dt = f\beta - g\phi$$

The coefficients a b c e f and g are taken to be constants The constant parts of the linear functions on the right hand side of the equations are ignored since they would yield a linear time trend

The characteristic equation for the solution of the coupled equations is

$$\Omega^3 - c\Omega^2 - \Omega(ab - eg) + aef = 0$$

This is a cubic in Ω with three roots One of the roots say Ω_1 would be real and negative The other root can be real or imaginary At least one of them would be positive or having a positive real part say Ω_2 Thus as $t \to \infty$ the root Ω_2 would dominate over Ω_1 and possibly Ω_3 If a e and f are large the roots Ω_2 Ω_3 would be imaginary (See Appendix for the details of the solutions) The most general solution would be a linear combination of the independent solutions containing $\exp(\Omega_i t)$ and the particular solution e and f are unlikely to be small but a may be small in normal times when technology is not changing rapidly In normal times with a small and Ω_2 real and positive but with small values each of the variables β ϕ and σ would grow monotonically Depending on the initial values the constants can be fixed (in the general solution) One possibility that emerges is β ϕ σ while $\sigma \to \infty$ as $t \to \infty$

With a large the roots Ω_2 Ω_3 are likely to be imaginary β ϕ and σ would oscillate with increasing amplitude

The role of the external market is precisely to fill the deflationary gap σ This would determine the size of government investment in the economy or of the export market or the extent of destruction of the pre capitalist sector Clearly the last is a limited amount and would be soon exhausted The other two also have to be rising shares of the level of output since σ is a share of the output

One of the implications of the case of real roots (ef small) is that the deflationary gap rises but in spite of its rise the investment process and the technical change representing increasing labour productivity show an exponential rise This is the result of the self excitement of investment and the mutual impact of β and ϕ on each other The impact is on the lowered growth rate in the economy

The full employment rate of growth would correspond to the situation where $\sigma = 0$ and $d\sigma/dt = 0$ Thus $d\phi/dt = \phi(c + bg/f)$ That is an exponential growth at the rate $(c + bg/f)$ This would be higher than the growth rate in the case when the deficiency of demand is present because the negative feed back on investment from the deficiency of demand has been eliminated

The implication of an exponentially rising ϕ is that investment as a ratio of capital stock is growing and will become greater than the capital stock itself An exponential rise in the output per unit of labour β would imply a reduction in employment

The level of output would be given by the multiplier times the investment As the share of profit rises and corresponding to the rise in β the wage rates also rise, the savings propensities of the capitalists and the workers would rise They would approach unity Thus output would rise at the same rate as investment and output would equal investment

The model points to the instability of the growth process accompanying a rapid change in technology The large a case with imaginary roots is a result of the impact of rising level of labour productivity leading to the creation of a deflationary gap which reduces investment and economic activity [11] But as profits rise and investment increases the gap would be narrowed and in turn would lead to a further rise in investment The economy would undergo fluctuations

To overcome this instability the value of a or f could be lowered and g raised The effect of lowering e is ambiguous The roots Ω_2 Ω_3 would become real and positive with these changes Low a and f imply a choice of technology which create a small rise in output per unit of labour and a small effect of technology on creation of the deflationary gap g increases the impact of investment on the deflationary gap

a and f can be changed by policy Inefficiency and corruption in government lower the size of a and g A large part of investment decisions in the economy are in the control of the public sector and depend not only on the technological input output coefficients but also on the political decisions Where plants are to be located with what technology etc is politically determined These are subject to corruption

These factors reduce the impact of investment on the rise in ϕ A given investment decision has a lower actual investment component when there is corruption This makes g smaller and makes the closing of the deflationary gap more difficult Then while waste lowers a and reduces the crisis of demand deficiency in a capitalist economy through g it has the opposite effect

Ceiling and Floor

The above model suggests an increase in ϕ without a limit However investment can at most be the entire output of the capital goods sector If only capital goods are produced in the economy then the upper limit of ϕ is the output-capital ratio, Γ This would provide *a ceiling rate of growth of the economy* On the upswing once $\phi = \Gamma$ (actually even before this is reached since a part of the output would be of consumption goods) the equation for ϕ would not hold

Then, $d\phi/dt = 0$, $d\beta/dt = a\Gamma$ and $d\sigma/dt = (f\beta - g\Gamma)$ with Γ = constant

β would then be a linear function of time and σ would be a linear and a quadratic function of time. σ would fall to begin with and then rise. Thus the deflationary gap would grow due to the rise in β which a constant ϕ is unable to counter. The rate of growth of the economy would fall below the ceiling rate.

There is also a *floor* since capital stock cannot decline faster than the rate of depreciation. The equation for ϕ once again gets modified to $d\phi/dt$ = constant (with a negative coefficient). β would rise with time due to the autonomous technical change (constant term on the right hand of the equation which was ignored) but there would also be a quadratic term with a negative coefficient. β would initially rise and then fall.

σ would consist of a linear and a quadratic term in time both with positive coefficients and a cubic term with a negative coefficient. σ would initially rise and then fall sharply. This would provide the lower turning point. Therefore even if an economy experiencing technical change can choose the coefficients appropriately such as to be in a regime of monotonic growth, the existence of the ceiling forces it to oscillate.

To grow at the maximum steady rate along the ceiling, the capitalist economy needs an external market to fill the deflationary gap that has a constant tendency to appear and grow. This ceiling rate of growth need not be the full employment rate since σ is not zero. Exports do not easily respond to policy. So the policy variable available to the government is direct demand creation. For this, the instruments available are deficit financing, borrowing or covering expenditures through direct taxes.

The tendency for the persistence of deficiency of demand even during the upswing should enable the government to intervene in the economy to eliminate the gap. Continued slow growth in the economy is an indication of the government not doing so. It has been argued that this is so by design since government is averse to rising levels of intervention which raise the potential rate of inflation in the economy (Patnaik 1986).

The inflationary tendency has been attributed to the form of government intervention. Unsold stocks resulting from higher growth have to be bought by the government which then releases liquidity in the economy which is potentially inflationary. Further labour militancy is supposed to rise as the economy approaches full employment. Money wages rise faster and so do prices. *These arguments are set within a conflict model of inflation.*

Government is supposed to slow down the demand generation process by cutting back its level of intervention in the economy. Since most current account expenditures are precommitted, the tax necessarily has to fall on the capital account expenditures and planned investments.

Data indicate that there is rising government intervention in the Indian economy. This is whether one looks at the tax revenue, expenditures less transfers, or total expenditures (including transfers) of all levels of government [see Kumar, 1987c]. In spite of this the trend rate of growth of the economy has changed little[12] and it may be inferred that there is a tendency for the persistence of a deficiency of demand.

In the Indian context the rising government intervention in the economy may be interpreted to lower Γ and the economy grows monotonically at a slow rate. However this is accompanied by a rising level of technological unemployment. Such labour goes into the unorganised services sector. The economy experiences a growing economic differentiation.

In Kumar (1983) and (1986) the arguments were theoretically analysed. In an India type economy there is a vast unorganised sector which bears the brunt of the inflationary adjustment and accommodates (is forced to do so) the rising shares of the organised sectors (Holzman 1950 raised similar possibilities). Continuous inflation would continuously squeeze the share of the unorganised sectors. Question is why is the process not stronger? Are there limits to this process?

Growing Fiscal Crisis and Conflict

Conflict Model of Society

That there is a link between economic disparities and the level of social tensions is generally accepted. However this is not a simple relationship. Disparities of different kinds have existed for a long time in most societies but have produced different levels of social tension.

A social structure with a given incomes ladder (which has historically prevailed) seems to be a source of social stability. Income relativities amongst different social groups in society seems to be important. A historical pattern of relativities (even when it is unequal) seems to carry with it a sense of economic justice and makes it acceptable to people.

In a rapidly changing social structure as in India where the income relativities also start changing, the growing social tensions aggravate. This happens with the creation of new possibilities for some groups and the elimination or the declining importance of (the work of) other groups. The ruling ideology in society at times reinforces such trends. In a capitalist society the fixed income groups do not blame the business community for their declining standard (due to inflation) or act against it in spite of the latter's obviously rising standard of living.

Instead they blame each other for trying to obtain a higher share of the national pie. These are the relativities they are directly concerned with in the social ladder even if these are not related to their economic decline. The pull of ideology is such that business practices have not only become acceptable to the middle classes but they even adopt them by abandoning their own practices.[13]

In recent times, with consumerism emerging as a dominant value, the income relativities are even more important than earlier. Status is not dependent on the individual's work but his show of consumption. The changes in income relativities become immediately apparent and the feeling of relative deprivation heightened. This hurts specially those who till recently thought themselves as equals and now are no more equal in their consumption pattern. The hurt is even greater when those who were taken to be lower in the ladder move up.

These and the growing expectations of various segments of society are the links between the growing economic disparities and the level of social tension in a society. *In analysing the growing social tensions and nature of conflict in the Indian economy, it is therefore necessary to recognise the existence of sections which are getting marginalised and of those which are appropriating the gains from the growth process.*

In the typical model of a capitalist economy the basic conflict in society is taken to be that between capital and labour. These classes are taken to be undifferentiated. This has been utilised by Kalecki and more recently by Rowthorn (1977) to analyse the phenomenon of inflation and stagflation in a capitalist economy. Patnaik (1986) adopts such a model in the Indian context.

In Kumar (1983) it was suggested that in the case of the Indian economy it is necessary to separately incorporate the unorganised sectors of the economy even though the basic conflict remains between capital and labour. It was argued that a conflict model of the Rowthorn kind would be inappropriate for analysing inflation in the Indian economy. It has been pointed out that government intervention in the Indian economy is rising when measured either in terms of the share of taxes in the national income or in terms of total expenditures by all levels of government.

The issue is not that government is not intervening in the economy more and more but that the problem of accelerating the growth rate in the economy has not been solved by the rising level of government intervention [Kumar 1986]. To understand this it is necessary to closely examine the theoretical premises of the Rowthorn kind of model (which has been used in Patnaik (1986) to suggest limits to government intervention, and see whether they are valid in an India like economy.

As in short run models productivity is a given constant. The conflict between capital and labour is taken to be such that their demands on the national cake together add up to more than its size. This leads to inflation. The capitalists have control over prices and raise them to obtain the share they want.

This forces a cut in the real incomes (wages) of the wokers So they demand a higher money wage which upsets the calculations of the capitalists In the process, there emerges a vicious cycle of prices and money wages chasing each other

Clearly if workers only desire that a given real wage be maintained conflict could be resolved if productivity rises The capitalists would be able to get a higher share of their produce (as profit) while conceding the fixed real wage (asked for) to the workers But Rowthorn rules this out by operating in the short run However in the model repeated wage bargain are allowed so that the model actually addresses the longer run An ambiguity appears in the model Productivity *can* rise over the span of the wage bargains

Further confining attention only to the short run if a wage bargain takes place between the workers and the capitalists at the start of the period then by conceding a given real wage to the workers the capitalists are also fixing and *accepting* a share for themselves individually and collectively This must be in consonance with the share of the national income that they collectively want Thus conflict between shares should not arise unless there is an external shock to the system Such a shock must be continuous for it to produce a continuing inflation Even here productivity rise may be able to resolve the conflict

There is a possibility of an endogenous explanation (short run) of the kind Rowthorn has in mind It would have to be based on some capitalists being dissatisfied with the bargain These capitalists would expect to raise their prices (unanticipated) in the short period *by more than the average* [14] after the bargain has occurred at the start of the period The calculations of other capitalists would then be upset and they would be forced to also raise prices and the wage price spiral initiated

Such a scenario would require the incorporation in the model of a pricing rule for the oligopolists and the monopolists which would enable them to raise prices more than the average Alternatively, they need to be technologically so dynamic (forget the short run for the moment!) that they can raise their profit margins without raising their prices more than the average. But then the unanticipated price rise would not occur and the wage bargains at the start of the short period would be consistent with the expected shares of profit in the national income

It then appears that for Rowthorn's conflict model *the model must consist of two groups of capitalists with one having greater market power than the other possibly based on the technological edge and control over markets* This is missing and there is ambiguity about the short run nature of the model

With the mechanism of conflict suggested by Rowthorn (1977) untenable, one could fall back on the model suggested in Kalecki (1971) He suggested that capitalists and workers actually bargain for shares of the produce of a firm The workers do *not* bargain with a real wage norm Under the circumstances it may be argued that conflict over shares in the national cake is not resolvable even by advances in productivity Unanticipated price changes by firms only aggravate the conflict further

A requirement of such a model would be that there exist a mechanism by which the individual shares in each industry add to a share at the level of the economy No doubt at the end of a short period, after conflict has played itself out some shares of labour and capital would emerge But *in a conflict model the concern ought to be with the share formation mechanism at the beginning of the period* A conflict over these shares is what initiates adjustments causing inflation

With mark up pricing at the start of the period is the norm each firm gets a share of its produce as the gross profit These when aggregated over all the firms lead to an expected share of profits in the national income For the *ex ante* mechanism for the formation of share of wages in the national income it was suggested in Kumar (1983) that the phenomenon of leading sector wage bargaining may be considered Conflict then becomes very sharp specially in the technologically lagging industries [15]

Conflict Model in Indian Context

In the Indian case a conflict model of the Rowthorn or the Kalecki type will not hold due to the existence of a large section of labour which is unorganised and unable even to bargain for maintaining a fixed real wage It would certainly not be able to enforce for itself a fixed share of the produce Thus the mechanism for wage share formation suggested above would not hold even if it could be taken to hold for the organised sector The unorganised sector only gets the residual incomes left by the organised sector [Kumar 1983 and 1986] [16]

In other words, due to the existence of the unorganised sector, a conflict started by any shock can get resolved through adjustments at the expense of the share of incomes of the unorganised sectors This results in rising disparities and growth is marginalising

In contrast to this scenario Lewis's mode of development suggested that the expanding modern sector would draw in labour from the backward one without increasing disparities This vision is not being realised In the Indian growth context the unorganised backward sectors are being left farther behind If employment were to rise in the unorganised sectors it would further depress the wage rates there [Kumar, 1988b]

Today, shares in the national income depend not only on the wage bargaining and the price setting processes but also on government policies The various economic interests in society have realised this For example, a tax on wages reduces the share of the workers in the national pie by reducing their post tax incomes On the other hand, if the expenditures out of the taxes go to improve their welfare, they are no worse off Thus *conflict takes place over government policies which effect the shares that different sections of society expect to receive*

The growing conflict is also a major cause of the wasteful (and inefficient) role the government plays in the economy It leads to the fiscal crisis of the state which in turn limits the role the state can play in mediating the conflict amongst the major actors by providing them additional benefits The reason is that conflict generates demands on public resources in ways such as to diminish government's capacity to intervene in the economy in other more resource creating ways

In a situation of heightened conflict amongst themselves the individual ruling groups seek other allies and organise and politicise groups which till then were peripheral including drawing support from some of the groups which face deprivation In the rural areas the rich farmer is seeking the middle and the poor peasants as allies and mobilising them against the more prosperous urban elites

Finally some of the emerging groups which were outside the ruling circles have found that they need to get organised to gain a share of the national pie The rapid social change in India is also throwing up new groups which have the capacity to organise themselves This aggravates conflict further through accentuated intra ruling group conflicts

The residual groups completely left out are squeezed even more and face growing economic crisis This adds further to the social tensions to expenditures by the state and the need of the marginal groups to organise themselves or be organised by others There is then a coincidence of the need of these groups to get organised and the desire of the dominant groups to gain new allies Such mobilisation has been on the lines of the traditional divisions in society—caste, community, etc Partly, this represents the weakness of the Left forces in the country They have neither been able to mobilise the deprived on secular issues nor prevent their leadership from being taken over by the vested interests

This intra class conflict amongst the ruling economic interests also manifests itself in the inability of the ruling groups to articulate clear cut goals They are unable to evolve stable alliances amongst themselves It shows up in the decline and the fragmentation of the centrist political parties in India and the inability of the ruling groups to work for their long-term interests

In a nutshell, the sharpening conflict amongst the ruling groups in India and their inability to resove their differences without imposing greater and greater burdens on the state is both a manifestation of the growing crisis and also the cause. Such conflict limits

the opportunities for the ruling groups and heightens the conflict amongst them [17]

Growing Conflict and Unorganised Sector

Inflation has resulted in an increasing share of the national income accruing to the propertied classes and to organised groups The adjustment in such a conflict situation has taken place at the expense of the unorganised sectors (also in Holzman 1950) The question is does this process have a limit?

What prevents the share of the unorganised from falling to zero? The possible floor may be the subsistence requirement This is not a given fixed basket of goods or its monetary equivalent It is determined by the social norms and the economic conditions It can also be squeezed from time to time as conflict aggravates but may recover over time

With inflation a rising level of money income would be required for a given subsistence basket of goods More importantly to earn a given minimum basket of goods other expenditures are necessary For instance to sustain employment more of travel may be necessary This is a result of the changing job markets Large numbers of people are being displaced from traditional jobs and homes Free gifts of nature have disappeared Thus even to earn the income to obtain 2 200 k Cal more has to be earned New jobs pose new challenges like changing lifestyle health hazards and entertainment These require more money incomes

In this context income differentials between the urban and the rural poor do not necessarily reflect differences in standards of living The former need a higher income for the same subsistence *The unorganised are faced with a squeeze from above (organised sectors) and a squeeze from below (the rising consumption basket for a given consumption basket)* They need a rising share of the national income and not just a given real income obtained through an inflation linked rising money wage. This is raising the level of social tensions and conflict

Limitations on Manoeuvrability of State Activity

Inflation as the reason for a limit on state activity is not a convincing explanation since government in the conflict models of the above kind is not a neutral agent It is seen to act in the interest of the dominant ruling classes like, creating a growing market for the capitalist classes by desiring to raise its intervention in the economy

Then, why shoud the government be sensitive to the process of inflation which would raise the share of the propertied classes even further? Inflation does more of the same that the government is not averse to—acquiescing in a rising share of surplus in national income. In a conflict model of the Rowthorn kind, government ought not to be averse to inflation? The money illusion argument is not convincing As has been pointed out, a rising share of the propertied classes is consistent with a given real wage rate of the organised sector workers If productivity changes are allowed in the model, the task is even more easy

An alternative reason for the persistence of the deficiency of demand and government s inability to intervene even more in the economy has been explored and presented in [Kumar 1988a] It is based on the rising share of the propertied incomes (surplus) in the national income due to the rising share of the black economy and the services sector

The share of surplus in the economy is rising faster than government intervention in the economy It has also been argued that forms of intervention available to the government given the structure of the ruling classes and its dispensation also raise the share of surplus in the economy Thus the deficiency of demand persists in spite of (and because of) the rising level of government intervention The rising share of the surplus also depends on the changes in technology as discussed earlier

The increasing fiscal crisis leads to a reduced manoeuvrability of the state As discussed in the earlier sections it leads to granting of more and more concessions to vested interests (both in the country and outside) The state is involved in gathering resources only to recirculate them to the propertied This *reduces the net resources with the state to step up its rate of intervention in the economy*

In conclusion it is not the fear of impending inflation which limits state intervention The limit is a result of the form of intervention the government is willing to use and the conflict it is mediating

VI

Changing Role of State and Economy

The discussion above suggests that there is a need for a growing state intervention in the Indian economy The deficiency of demand in the economy needs an external market The possible solution internal to the dynamics of the capitalist sector based on an expanding export market is infeasible given the present weak technological base in the country Imitation of the late late industrialisers requires strong state intervention and the curbing of the democratic structures in the economy The process then is not internal to the dynamics of capitalist sector (if that is what is implied by the 'free market' solutions) and requires strong state intervention

For the reasons discussed earlier (also see Kumar, forthcoming) to be able to be export competitive, India needs access to technology But this invariably implies political and economic costs If India is to pursue its democratic structure and political independence, then these costs may not always be acceptable.[18] As such, exports as an option for expanding the markets in a major way is not viable

The capitalist sector can also grow by eating into the precapitalist sectors This has limitations in the current context since it leads to growing social tensions and increasing oppression by the state (resulting in rising consumption expenditures of the government) In turn this limits the government's capacity to intervene in the economy

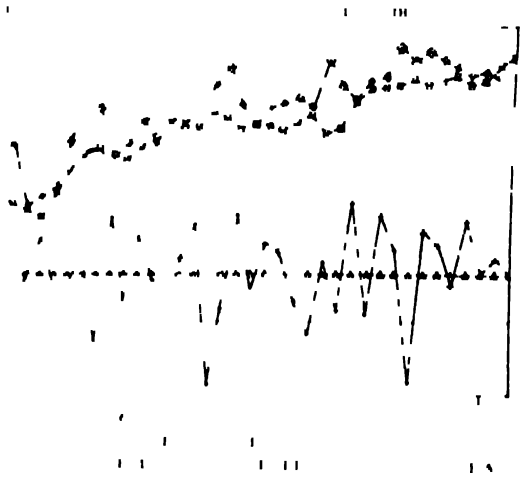
In other words for accelerating growth, *both the routes that are at least theoretically considered to be endogenous to the dynamics of the capitalist sector not only require strong government intervention in the economy but would also (and are doing so to the extent they are being attempted in India) not prevent a growing crisis. They also require the state to turn more authoritarian.*

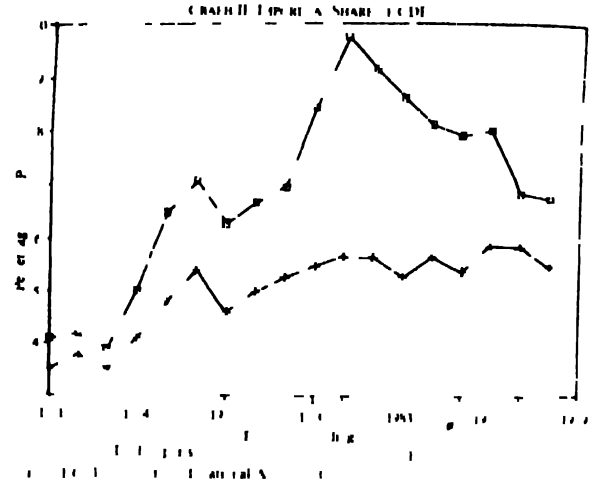
State intervention then appears necessary The third option of direct and open intervention in expanding the markets for the private sector seems to offer the best possibility However this is also hemmed in by some of the consequences already discussed and observed in India Government intervention accompanied by growing economic disparities has its limits *It must not simply do more of that which the private sector does* Its policies must be differently structured

Greater government intervention in directions hitherto unexplored is needed Capitalists would have to give up their fear of full employment [19] The fiscal crisis which limits the state's capacity to work for the long term interest of the ruling groups needs to be overcome The model suggested that in the short run the increased state expenditures reduce the extent of the deficiency of demand But, the inability to raise investments consistent with the requirements of technology produce low rates of growth This realisation amongst the ruling groups is necessary for changing the focus of government intervention

The discrediting of government intervention in the economy as being inefficient is also responsible for its inability to step up the rate of intervention to eliminate the deficiency of demand An ideological climate against state intervention in the economy has been created However the alternatives also depend on state intervention in the economy Thus *the question is not whether there should be state intervention but in what form and how much?*

Import of technology for the purpose of utilising scale economies in production which lead to a rising output per unit of labour and an expansion in the share of surplus need to be regulated such that the resulting surplus is ploughed back into the economy This requires state control of the import of such technology The resulting surpluses could be invested The high output per unit of labour in the advanced sector can then be used to generate employment to absorb the labour being displaced from the more backward sectors In the model, 'a' which is inevitably raised by imports of technology is lowered by the government intervention





For a larger investment programme of the government to close the deflationary gap the growing surplus in the private sector would have to be tapped through forcing tax compliance i.e. curbing the growing black economy. Thus the resources for employment creation can be obtained through tax effort, reducing wasteful state expenditures in unproductive activities and generation of surplus through use of advanced technology.

The state with control over technology and the resources released by the above strategy could also embark on an export drive. Technology could become available to the state cheaper than to the private sector. It would have greater bargaining power *vis a vis* the owners of technology than the individual capitalists can have.

Technology which under the present market system is a source of increasing disparities can be used to reverse the trend. The key questions are who would control the surplus emerging from the advanced technology and how it is utilised? It is on these that the results hinge.

All this goes against the grain of the present trends of liberalisation and restricting the role of the state. A more explicit policy of state intervention is being advocated here. This would help enlarge the market directly through government investments, through enlargement of the export market and the expansion through the absorption (and not just destruction) of the precapitalist sectors. These would promote greater growth, reduced disparities in the economy and reduced social tensions.

VII

Conclusions: Growing Confusion and Crisis

The overall thrust of the 1989-90 budget is populist. Actually it indicates an incapacity on the part of the government (and the ruling classes it represents) to take the steps necessary to break out of the low growth trap the economy finds itself in (see Graph I). The fiscal crisis facing the government and limiting its capacity to intervene in the economy remains unchecked.

Efforts at creating employment are too little in comparison to the needs. Little dent is likely to be made on raising resources through the taxation of services. Technology is unlikely to "take off" to raise efficiency or reduce costs to make Indian goods export competitive. The capital goods sector is likely to face greater difficulties.

The fiscal crisis which is at the back of the growing budgetary constraints in spite of an improved economic situation is not recognised for what it is. The conflict between the groups represented in the power structure is becoming sharper. It limits the forms in which revenue can be raised while increasing the draft on the state's resources. Attempts at taxing services rather than attacking the situation head on by raising direct taxes is in line with this analysis. Shift of borrowing from the budget to the much more expensive (from the point of view of taxes foregone and the interest to be paid) device of direct borrowings by the public sector undertakings is another example.

Similar confusion in policy is also manifest on the critical front of technology. Liberal import of inessential goods is being allowed in newer areas (food processing and packaging) while the screw driver technology already operating in the country is sought to be curbed. Investments already made would be adversely affected. The view that in India investments in development and absorption of new technology is risky is reinforced. The new technology being introduced in food processing would raise prices of food items and affect the poorest the most. A tightening of screws on the indigenous capital goods sector by lowering import duties while raising the excise duties on inputs for capital goods is going to have a similar impact on indigenous technology.[11]

The reaction to the growing fiscal crisis has been to suggest limiting the role of state by cutting back on the areas of state intervention. The private sector has been expected to step in to fill the gap. The growth was initially expected to come from consumer durables and luxury goods. The demand growth for these items has been high given the trend for the shift of national incomes in favour of the propertied classes. This demand has been further stimulated by the availability of lease financing. High value added food items are now being added to the list.

A rapid adoption of this strategy has necessitated import of technology. The indigenous industry which could have developed much of this technology was neither allowed the time nor was it inclined to invest in such technology given the past experience of uncertain returns due to rapid shifts in policy and the small indigenous demand base for many of these products. In the model this would raise a and f and lower b and aggravate the instability in the economy.

The build up of imports has necessitated both external commercial borrowing and step up in exports. This has deepened the fiscal crisis as well as brought in the argument of efficiency and cost cutting for exports. This necessitated more import of technology. Imports as a share of GDP has risen since the sixties (Graph II). It had fallen till the end of the Sixties. The impact of fiscal policy on costs and efficiency as judged by border prices in relation to internal prices has been ignored.

In this context for a step up in private investments in spite of stagnant public investments the need for more incentives to the private sector becomes necessary. Arguments for liberalisation of policies internal and external have followed. What has not been appreciated is that the move for more incentives accentuates the shift in national income in favour of the propertied classes. In the model f rises. The need for state intervention to keep demand growing then rises rather than falls.

The import of technology which today has a high output to labour ratio aggravates the situation further. As the model presented indicates the need for government intervention to overcome instabilities and to maintain high growth rates would rise even further. Much of the new electronics and computer based technology in production has a high output to labour coefficient. The labour processes are being reversed. Instead of subdivi-

sion of tasks to more specialised ones which could be performed repetitively by labour a reverse process is taking place [21]

With the rise in the output labour ratio and private control over such technology the tendency for control of surplus in fewer hands and growth in deficiency of demand is likely to get aggravated This is where the role of the state in countering this tendency by enlarging the internal market is growing

The role of the state in providing the requisite environment for R and D needs to be recognised As argued in Kumar (1987a) India has to accept that on its own it will not be able to compete with the advanced nations in high technology Yet for maintaining its political independence it has no option but to maintain presence in these areas while accepting a growing technological lag *vis a vis* the advanced nations

The nature of the public sector in this environment must also undergo a transformation It must actually take hold of the commanding heights of the economy Since with changes in technology the heights are not given for all times it must also shift the area of command Lower levels of technology may be left to the private sector The objective should be to see that the surplus in the economy is recirculated in the economy to maintain employment and demand Another area for the public sector could be the provision of support to the small scale sector specially in marketing and finance The small scale sector may then be the source of dispersed employment in those areas of production which do not show scale economies

This policy needs to be supplemented by fiscal policy and administered price policy A shift in favour of direct taxes is called for Indirect taxes and borrowing at rising interest rates need to be curtailed Administered prices need to be fixed such that the surplus does not slip out of the public domain to private hands The budget proposals for 1989 90 do not make the required break from the past pattern in spite of the initiatives (which are cosmetic) which are being praised by many

Appendix

The model presented in the text to study the interlinkage between technology investment and the deficiency of demand consists of three linear first order coupled differential equations The particular form used is dependent on the assumptions incorporated These were briefly spelt out in the text

The form of the equations determines the results and is explored in greater detail First in Domar (1946) it is suggested that the rate of change of full employment productive capacity depends on the level of investment The productive capacity depends on the rate of growth of supply of labour and the output per unit of labour (β)

For a given rate of growth of labour supply the rate of change of β then depends on the level of investment ϕ Even at a given ϕ β rises as new technology is incorporated in machines Disembodied technical change would show up as a rise in β independent of ϕ Hence, $d\beta/dt$ may be taken to be a linear function of ϕ However ϕ itself depends on β This is not incorporated in Domar (1946)

Kalecki (1971) suggested that investment decisions per unit of time depend on the level of savings the change in the rate of profit and on technology (as a long term factor) Investment decisions result in deliveries of equipment after a time lag which depends on the construction period of equipment If this time lag is assumed to be a constant and taken to be zero for simplicity then the rate of change of investment (deliveries) depends on the factors listed above

The level of savings depend on the level of incomes which depend on the level of investment itself ϕ in the model This term may be thought of as an accelerator or self excitement of investment The rising capital stock tends to lower the level of capacity utilisation in the economy and that is sought to be captured in this model through the effect of even lower ϕ Lower capacity utilisation also reflects itself in the decline in profits The long term dependence of ϕ on technology is captured through the rate of change in the investment (relative to capital stock) as a function of ϕ β and σ Investment goes on in spite of possible excess capacity in the system due to technical change This would be ruled out in a deterministic model determining ϕ

In this model the variable ϕ is defined as investment to capital stock since the absolute amount of investment is in relation to the size of the economy or the existing capital stock So a bigger economy for the same values of β and σ would have a larger investment than a smaller one It needs to be noted that ϕ is the rate of growth of capital stock

Thus let $K = K(t)$ $dK/dt = I - K$

The deflationary gap in the model is taken to be a ratio of the level of output O in the economy The gap G is the amount by which the actual output falls short of the full employment level of output That is

$$G = \text{Deflationary gap } (G) / \text{Output level } (O) = 1 - [\beta I_1 / O]; \; O \text{ where } I_1 \text{ is the available labour supply}$$

Using the multiplier $O(t) = I(t)/s(t)$ where $s(t)$ is the average propensity at a point time dG/dt is then a function of $d\beta/dt$ dI/dt s and the rate of growth of labour supply n as a constant n As argued earlier the saving propensity changes with the rising share of the property incomes and would follow the changes in ϕ Substituting for $d\beta/dt$ and $d\phi/dt$ in terms of β ϕ and σ and ignoring the non linear term $d\sigma/dt$ becomes a function of β σ and ϕ The coefficient of ϕ is likely to be small and is taken to be zero This term appeared in the equation from the $d\phi/dt$ term It may then be most left as exerting an influence on ϕ through the term containing ϕ On *a priori* grounds σ must decline with ϕ and rise with β This is the form of $d\sigma/dt$ used in the model

These are the assumptions behind the form of the equations used in the text

The solution to the equations is obtained by solving the characteristic equation which is a cubic in Ω However it is simpler to look at the solutions graphically by rewriting the equation as $F(\Omega) = G(\Omega)$ where $F(\Omega) = \Omega^3$ and $G(\Omega) = c\Omega + \Omega(ab + eg) - ef$

The intersections of F and G give the required roots

$F(\Omega) - G(\Omega)$ has a maximum for $\Omega < 0$ and a minimum for $\Omega > 0$ At $\Omega = 0$ it equals $-ef > 0$ It also rises $-\infty$ to $+\infty$ as Ω goes from $-\infty$ to $+\infty$ Thus $F(\Omega) - G(\Omega)$ crosses the x axis once in the negative region That is there is one negative root

Alternatively the intercept of G on the y axis is negative while F passes through the origin As Ω goes from $-\infty$ to $+\infty$ F goes from $-\infty$ to $+\infty$ while G goes from $+\infty$ to $+\infty$ Thus, there will be one negative root say Ω_1 $\Omega_1 < 0$ Thus $\Omega + \Omega_1 + \Omega_1 \geqslant 0$ Also $\Omega \Omega_1 \Omega = -ef < 0$ Thus $\Omega, \Omega_1 = -ef/\Omega_1 \geqslant 0$

Thus if Ω and Ω_1 are real they must be of the same sign in this case positive If they are imaginary then the real part must be positive Whether the roots will be real or imaginary would depend on whether $-ef$ the intercept of the function G is near the origin or far from it If $-ef$ is small then there is a chance that the intersection of F and G would occur in the region $\Omega > 0$ This would correspond to the real roots Otherwise the roots would be imaginary

The constant terms which should have occurred in the equation and which have been ignored in the equations non homogeneous particular integral corresponding to them would have a different time trend in the solutions This would be a fixed relation to the exponential trend but apart from the homogeneous part

The non zero roots mark β ϕ and σ decay to zero at rest With all the roots real the solution for ϕ would asymptotically go as the exponential of the largest root In this case since the σ for σ small the intersection $F(\Omega) = G(\Omega)$ occurs near the origin The roots are then of small magnitude Larger σ and g or g and e larger the Ω value of the roots Hence higher would be the rate of growth of the economy

With imaginary roots the solutions would be oscillatory with growing amplitude This would be stability around the steady state but the trend would be the particular integral Thus the oscillatory trend would be a fluctuation in the external market This by implication would be the case if the roots are real Thus the real roots would experience steady rise

The best path would be to hold $\sigma = 0$ at all times That is $d\sigma/dt = 0$ No deflationary gap appears and the economy experiences maximum possible growth rate This requires policy to make $\phi = (\beta g)$ Then, $\phi m = \exp\{(\ldots)t\}$ and β also grows at the same exponential rate This rate of growth is certainly larger than the linear trend in the stagnatory case The extent of intervention required is the gap between ϕ as obtained without intervention and the value of ϕm obtained above Intervention is then required to grow exponentially

However an exponential growth in ϕ implies that the rate of growth of the capital stock is rising and tending to ∞ Whereas β and σ can grow without limit to ∞ as suggested in the text ϕ has an upper limit At best the entire output of the economy can be the investment ϕ as I/K is the output capital ratio in the economy this is the maximum value that ϕ can take This is also not feasible since some pro

duction of consumption goods is always required so $\phi \leq f$

An upper limit to ϕ needs to be accepted in the model this is referred to as the ceiling. This ceiling is not the same as in the business cycle model of Hicks. Here it is the maximum rate of growth of output and is not a result of the choice of capital but related to the supply of labour. Here it is a result of the choice of capital to produce more and more of investment goods.

Let us call the ceiling $\hat{\phi}$. $\hat{f}$ is the constraint. Then capital to labour ratio at the exponential rate of $\hat{f}$ and so does investment and through the multiplier the level of output. This is the rate at the growth of labour supply in full employment output grows at the rate of growth of $\hat{\phi}$. In the steady state property of the economy must adjust at the rate $\hat{f}$ $d\beta/dt$.

As the rate ϕ falls further and further production, investment goods industry and the output-labour ratio in proportionality in the economy must. If the growth of the labour force, investment at the expense of wages for the firms then the level of the inflationary implications. This would be true even below full employment.

The implication is that if the government holds the economy at the ceiling by raising investment there has to be a shift in national income in favour of profit. In a conflict situation this raises the level of conflict. However if the government holds down the rise in level of employment to below n then the rise in the savings propensity has to be even further $\hat{f}$ $d\beta/dt$ in order to maintain the economy at the ceiling rate. Unemployment aggravates inflation and conflict. The economy would manifest a tendency for stagflation. The least inflationary situation would be the one with full employment.

This is the kind of fear that may impel the government to hold back its intervention in the economy to keep it growing at less than the ceiling rate. A lowering of the ceiling below $\hat{f}$ is needed such that it equals $d\beta/dt + n$. There would be full employment without inflation.

Excess capacity in the capital goods sector would *tend* to appear. This would exert a downward pressure on ϕ and would require growing intervention. No capitalist economy may then be observed to be growing at the ceiling rate since it involves a rapid build up of conflict between wage and profit shares. Different levels of government intervention do not lead to different ceiling rates of growth; they need to be obtained through structural readjustments. Then the ceiling rate of growth may be maintained through constantly rising intervention. Thus two forms of intervention are required for steady growth without inflation.

Any let up in employment at the ceiling would immediately kick off inflation. If an unorganised sector exists in the economy as in India the adjustment would be at its expense. The extent of rise in the savings propensity required would give the amount of loss of share that the unorganised sector would have to accept.

Finally the model allows one to draw implications of rising imports or a growing small scale sector. These can be obtained by doing comparative statics. Rising share of imports would raise σ and $d\beta/dt$ for a given ϕ. It would raise λ and lower g. The economy would move towards the oscillatory case or oscillations would become larger.

The existence of a small scale sector lower λ and raises g; the effect of ϕ on σ. The wage share being higher, the gap σ reduces faster with a rise in ϕ. These reduce the oscillations in the economy and is the exact opposite of the case of rising share of imports. In the Indian economy the share of the small scale sector is falling (Kumar 1982c) and the share of imports is rising (Graph II). Thus an adjustment without a step up in the growth rate persists in spite of a larger share of GDCF and GECF in the economy (Graph I).

Let us include the implications of the model for that questions relating to technology investment and employment need to be studied together. In the past they have often been independently studied as in Kalecki (19) or Kaldor (19). Of course the form of equations assumed may be different from the ones used in the model above. Different kinds of results may then be generated.

The institutional details of the economic relationships would determine the exact form. For instance, the investment function used here makes sense in an economy where the investors and the savers are different people. The extent of existence of the precapitalist sectors may change the sensitivity of the coefficients used. Incorporation of the black economy may also change the equations. The nature of the state whether it is sensitive to inflation or to employment is another factor which would influence the form of the equations and the coefficients. These are not explicitly incorporated in the model but are there.

Notes

[I would like to thank Deepak Nayyar for providing me with data on imports.]

1. Agricultural prices have been rising through 1988-89 in spite of the excellent monsoon and the expected bumper harvest. Policy makers need to be wary of this. This rise may be a result of the depletion of private food stocks last year and their replenishment this year. Incomes in rural areas have grown this year and so must have demand for food. These two factors could have reduced the surpluses for the urban areas. Government's stocks are also depleted and unable to exercise a restraining influence on food prices as they did last year.
2. Some other items also do not seem to lie on the trend of the past budgets and show unusual departures and may have been used to dress up the budget to make it read better. For instance, under disbursements items Capital Account of Industry and Minerals and Fiscal Services are lower than even the revised estimates for 1988-89. In the Public Accounts the Deposits and Advances have sharply declined. Supplementary demands at a later date can be used to accommodate larger expenditures where they have now been underestimated.
3. If the current salary is X, the annual increment a, the rate of interest on PF r then the number of years at the end of which the PF income is the same as the current income is given by

$$N = [\ln\{6X + X(1 + r) - a(1 + r)^2\} - \ln(1 + r) - \ln(X - aN)] / \ln(1 + r)$$

For someone at the top of his grade in government getting Rs 7,000 per month at the end of 30 years of service and having an annual increment of Rs 1,200 throughout the income from PF would turn out to be Rs 2,53,011 per annum in the 31st year. *This is an inflated value.* A more complicated calculation is possible by introducing inflation etc.

Such concessions are the reason for the sluggishness of tax revenue. It does not even add up to the rise in prices plus the real growth rate of the economy. In practice due to the progressivity of the tax structure the rise should have been greater (Kumar 1988).

4. Kalecki (1971) suggested a tax on capital as an ideal form of raising resources (see Kumar 1988b). This falls on the gross profits of the capitalists and does not raise prices. Capital costs are also high in the Indian context due to the existence of the black economy. Over invoicing of machinery purchase etc. is practised in setting up a project. These costs are also raised by the political nature of the investment decision, specially in the case of the public sector. Location, choice of technology and availability of finance are all influenced by political decisions.
5. In the case of fertiliser industry it is being suggested that Indian fertiliser production is inherently inefficient and high cost so as to be allowed to relocate in the Middle East. This proposition has not been demonstrated with the cost of gas and other inputs scaled to international prices. Capital costs also need to be comparable. Import duties and imposts and costs of delays need to be factored out. If this is done and costs found competitive and the country found to have the requisite amount of gas there is no reason not to create employment in India. Today gas is being flared, fertilisers imported and a shortage expected to grow in the coming years. For strategic reasons also location of production at home may be better.
6. Even in the case of the manufacturing sector black incomes are generated through trade channels etc. (Kumar 1988a).
7. Investments in real estate do not represent real additions to investment. Fund owners waiting for the right opportunity outside this nexus only lower the velocity of circulation of money in relation to the output. The consequence is a slow down in private investment.
8. Public sector employees' rising per capita emoluments is not a reflection of the rising real incomes. In fact income indexation to inflation has only been partial specially if rent paid is taken into account. The observed facts can be due to changes in productivity and age profile of employment. Employment in the public sector has grown at higher levels of skills. Also after their rapid expansion the age profile of employment must have shifted in favour of the older and better paid groups. Both these reasons would raise the per capita emoluments and partly explain the rising contribution of government to the services sector.

It is interesting that in the case of the private sector it is the lack of incentive to make high profits that is seen to hold back its growth while in the case of the public sector it is the high emoluments that are seen to be the culprits in not spurring the workers to produce. The logic of incentive is faulty since in monetary terms there is always a higher level of income that could be sought. If not available it could be a disincentive. One has to run to stay still. Income disparities are themselves a source of dissatisfaction with one's income level and a cause for seeking a monetary incentive.

9. The expenditures out of surplus may also be on overheads. This could rise with changing technology and higher payments to managers etc. However these are unlikely to absorb a higher proportion of the surplus generated since this technological change would then not be desirable for the capitalists.

10. In the case of electronics industry a rapid technological change has led to a cheapening of goods in real terms. However in general much of the new technology is in the control of the transnationals who use it to expand their margins rather than to cheapen products. For example in the case of pharmaceuticals and drugs. In some cases they may allow a temporary cheapening to capture a market. Where increased competition amongst the transnationals exists it has taken the shape not of price reductions but of increased expenditures on advertisement etc. That is of a rise of the services component per unit of material goods production.

11. Technology does not benefit all sections uniformly. It can harm some like those it forces into unemployment. It may make the system as a whole more inefficient. This is where the role of the government is important. International trade also has similar effects.

12. See Graph I. It shows that in spite of a rising share of the GDCF the annual growth rate of GDP has simply fluctuated around an average figure of 3.9 per cent. Some rise in the GDP growth rate in recent times is a result of the rising statistical weight of the services sector. A rise in the rate of growth of secondary sector is unclear (Kumar 1987c).

13. The obvious examples are of professionals (doctors, lawyers, teachers, etc) giving up their own age old ethics in favour of sharp practices. The resulting contradictions are there to see. For instance civil rights lawyers can be seen representing the case against the Bhopal gas victims, the result of the worst ever industrial disaster. They also stoutly defend the moneyed in all the white collar crimes without seeing any contradictions. This is justified on the grounds of not guilty unless proven so. Doctors make their patients run around from expert to expert to make money. Teachers teach indifferently to obtain tuition. Chartered Accountants sign on the dotted line and white wash business wrongs.

14. If a firm does not raise prices by more than the average, it would not be able to raise its share in the national income since others (capitalists and workers) would also react and raise prices and wages. A firm which consistently raises prices by more than the average would run into difficulties with regard to maintaining its market shares. As such this cannot be the manner in which a firm can raise its share in the national income. Technological edge becomes critical.

15. In the technologically lagging industries the leading sector wage bargaining would imply a decline in the share of profits. Another consequence of such a conflict would be that any industry accepting a price reduction would actually lose its share in the national pie if others do not lower their prices too or the workers do not accept a lower share. This technological dynamism would not reflect in price fall and conflict would aggravate.

As production gets more and more concentrated in larger firms with a higher degree of monopoly the degree of monopoly in the economy would rise. Over time the expected rate of profits in the economy would rise. This leads to the recentration of

Degree of capacity utilisation in industry would affect the level of conflict. When it is low overheads per unit of output are high and the capitalists need higher profit margins to cover them. Thus the capitalist may be satisfied with a lower share of the output as the economy approaches full employment leading to a reduction in conflict.

However using the Phillips curve kind of argument some argue that the worker demand and inflation money wage increases near full employment since their bargaining power rises. This would aggravate conflict as the economy approaches full employment. This does not follow. A higher money wage would result if labour shifts to higher productivity jobs and continues to obtain a given share of the firm's output. In other words the faster the rise in money wages near full employment may be due to rising productivity rather than conflict.

16. Thus any conflict over shares in the national income would be short lived and would peter out. Indeed inflations in the Indian economy have had a short duration with a sharp rise and then a tapering off.

17. There is another aspect of the growing Fiscal Crisis in the Indian context. Centre state relations have sharply deteriorated. The centre has concentrated economic, political and social power in its hand. It has used this to play politics by flexing its financial muscle. This provides an opportunity to regional elites to lay the blame for relative deprivation on the centre. Opposition governments in the states have mobilised opinion to fight the manipulations by the centre. In certain states the centralisation of power was seen to smother local aspirations or hurt regional pride and led to a reinforcement of regionalism. Coming on top of the uneven regional growth which is a part of capitalist dynamics it diverts attention from the economic dimensions of disparities to political and social factors.

It is worth noting that differentiation also has regional dimensions in addition to what has been already discussed in the context of conflict. Slow growth with some states having done much better than other has led to this.

18. Recent examples of arm twisting are concessions sought on behalf of the transnationals for opening Indian markets to them, change in the stand on intellectual property rights and patents etc. These have possibly been a *quid pro quo* for supply of some technology in aerospace, electronics, computers etc. to India.

19. Business and consequently government dislike full employment for reasons other than inflation. The private sector tends to lose control over economic policy if the economy operates at full employment. If government intervention is disallowed the capitalists run an advantage *vis a vis* the rest of the society in the form of demanding and obtaining concessions to keep the economy going at a higher level of economic activity. If the economy is already near full employment no concessions need be given to the capitalists (Kalecki 1971).

Another reason why capitalists may not like full employment is their capacity to keep the organised sector workers under check and discipline. The workers could demand an increase in their share instead of being content with maintaining their share. Capitalists also fear a growing public sector which limits their area of activity and potentially threatens their profits.

State intervention in the economy can take the form of a mere administrative expenditure but that exacerbates the fiscal crisis. If it takes the form of raising public investment then the sectors where such investment is profitable for the private sector (Kalecki 1971). However in the Indian context the areas of operation of the two sectors were clearly demarcated. The private sector learnt how to use the attention to its advantage by absorbing a large part of the surplus resulting from the public sector.

20. Policy makers in India need political wisdom to formulate a clear Science and Technology Policy. This is absent since neither the ruling groups have a consensus on what they want nor do they have a clear understanding of the direction that technological development is taking. The latter may be partially corrected by setting up advisory groups but even in this respect policy is deficient. Due to absence of consensus there is a rapid shift in policy depending on the pressure from the vested interests. It then appears as contradictory and *ad hoc*.

The confusion is also reflected in the matter of inability to accept that it cannot match, say, the advanced nations in the near future and so will have to accept technological backwardness. This may require the country to maintain its present low level of economic expenditure to the rest of the world. This may help the country to catch up sooner than through the current policy of opening out. Leap frogging has to be controlled and not blind.

To lay lower level technologies may be available without many strings attached and if rapidly absorbed could lead to the condition for advancement in high technology as well. A rapid opening out may kill the indigenous capability to absorb and develop technology.

The current debate on patents and in

tellectual property rights shows India's backwardness even in the lower level technologies. India is not capable of competing in high technology and poses no threat to the advanced nations. It is in the lower level technologies that the advanced nations are willing to relinquish control to the third world nations that the question of patent assumes importance. The advanced nations would like to get a continuing return even in these areas.

21. The extrend of rising output per unit of labour are likely to be further accentuated by two major recent developments. One is the possibility of high temperature superconductivity and the other is the likelihood of room temperature fusion reaction. The first would allow more efficient use of energy while the second would make energy very cheap. Consequently with new machines labour substitution would reach qualitatively new levels.

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The Chinese Tragedy: Roots and Offshoots

Ajit Roy

The tragic events in Beijing have given rise in the main to two contradictory tendencies among critics, both having the common characteristic of being totally utopian one of these looking forward to change of the country s course towards a sort of bourgeois democracy and the other urging a return to Mao Zedong's prescriptions for a historical short-cut to communism The only correct path is to work for the present course of socialist modernisation but shorn of its inadequacies and weaknesses This rectification is possible only through a closer integration of Marxist ideology with day-to-day practice at every level

THE recent events in China have stirred the conscience of the world as few things have done in the contemporary history The reasons for this powerful impact may perhaps be sought mainly in two directions Firstly a deep sense of unexpected shock as there was little in the Chinese leadership s responses to the long drawn crisis to indicate such a bloody culmination notwithstanding its induction of armed forces into the capital following the proclamation of the martial law Even more because it had permitted the martial law proclamation to be flouted and defied with impunity for full three weeks Secondly because of the world people s direct and immediate involvement with the day by day developments thanks to the recent advances in telecommunication facilities Another reason for the powerful repercussions of the Chinese events may possibly be the sudden shattering of the image of a wise and thoughtful group that the Chinese leadership had come to acquire in the estimation of the world people during the past decade

Unquestionably the Chinese leadership seems to have seriously compromised its standing by its conduct during the entire period of the crisis even if one for the moment leaves out the question of the responsibility for the origin and development of the crisis specifically for the following reasons

(i) Despite the experience of the huge scale of the preceding round of student youth up surge in China in the winter of 1986 87 the Chinese leadership failed to estimate carefully and correctly the depth of popular involvement in the Beijing demonstrations this time

(ii) While till literally the eve of the bloodbath the leadership continued to acknowledge the patriotic and democratic bona fides of the mobilised masses with occasional hints of counter revolutionary intrigues of some dark forces it initiated no programme either to unmask the dark schemes and the schemers or to retrieve the confidence of the alienated masses

(iii) Ultimately when the leadership proclaimed martial law and called out the armed forces it did so apparently without having done any serious homework For three weeks it did not seem to know what to do with the armed forces it had summoned to the capital On the one hand day after day the armed forces were allowed to be subjected to tremendous public pressures for defiance of the government s commands and for openly siding with the rebellious masses There were reports of even a section of active and retired army personnel making common cause with the demonstrators On the other hand the prime minister went on calling for powerful measures to curb turmoil and restore peace but without having any practical repercussions Indeed Li Peng s pronouncements demonstrated serious confusion in the government s thinking He said that very few people attempt to create turmoil and to overthrow the people s government while the bulk of the students are kind hearted and do not want to create turmoil but hope to promote democracy and overcome corruption which were in line with the goal the party and the government strive to achieve He did not seem to realise that the statements were directly contradictory with the massive mobilisation of the armed forces already resorted to by the government

(iv) Li Peng displayed poor judgment when he superciliously refused to talk with the students representatives on any substantive question and further did not accept the students proposal for an open TV debate with them The government and the party should not have shied away from this opportunity for stating their case openly and convincingly before the entire nation nay even the entire world and win moral and political supremacy if they could thereby over its challengers

(v) As admitted by the government subsequently it did not have at its disposal sufficient stocks of non lethal ammunition like tear gas shells and rubber bullets even though it had three weeks to spare before it actually undertook the punitive steps This means that neither had it considered with adequate responsibility the question of the best means of meeting the developing situation with the least possible violence nor did it really seem to care about the scale of violence it would eventually resort to

(vi) While the exact number of persons killed and injured may not be known for some time it was ridiculous for the government to come out with the figures it has—300 persons killed of whom only 23 were students Because of the patent and palpable falsehood the Chinese leadership has suffered a tremendous loss of credibility before the world people

(vii) Even after the bloodbath of June 3 and 4, and after witnessing the extremely unfavourable world reaction, the Chinese leadership did not care to take stock of the situation immediately and to exercise restraints where it could and should have done. As telecasts have revealed its punitive forces treated the arrested youth with a measure of brutality not permissible for a government professing humanist ideals Moreover unlike its previous practice, instead of staying the execution of the persons condemned to death it carried out the sentences immediately

While the vacillations and hesitations and the lack of clear cut and confident policies in the first phase of the present crisis may be in part explained by the absence of unity in the topmost leadership the section which has now acquired the dominant position should not have overlooked the fact that the division in the leadership is itself a reflection of the contradictory aspects in the essence of the developing situation Hence, its policies and action will have to be carefully modulated in tune with the complexities of the situation

SERIOUS DAMAGE

Whether the Chinese leadership realises it or not whether it cares about it or not the fact is that the Beijing bloodbath and its aftermath have inflicted serious damage on the world communist movement as a whole and the cause of world peace and socialism The progress of glasnost and perestroika in the Soviet Union and the advancing process of humanisation and democratisation of Soviet society associated with them are making great contributions in distinguishing socialism from the Stalinist heritage The recent events in Beijing on the contrary are helping the reactionary forces the world over to sow doubts again in the minds of the people about the humanist professions of the socialist ideology and the democratic contents of the socialist practice

The damage to the cause of the ongoing modernisation programmes of the CPC is no less Its central goal of the socialist modernisation through an updating of science and technology according to the party s present plans depends for its success on the willing and enthusiastic involvement of the Chinese intelligentsia and the generous co operation and collaboration of the advanced capitalist countries The brutal assaults on the Chinese students and their supporters in Beijing cannot but generate a sullen indifference among the intelligentsia towards the regime and its programmes The response of China's foreign collaborators, including the Chinese from Hong Kong, also will be less than friendly for quite some time.

The Beijing tragedy had provided a section of Maoists inside China and outside with ammunition to mount attacks on the

CPC leadership's economic plans for socialist modernisation. The Maoists are obviously mistaken. There can be no advance to real socialism without a tremendous development of productive forces in the still quite backward China and for this aim three new avenues have to be explored. First, releasing mass enthusiasm through a certain measure of increase in the opportunities for private gains and personal initiative. The opening to the outside world also serves to gain access to advanced technologies and productive resources. But in pursuing these objectives the leadership has to be cautious and watchful and have to grapple simultaneously measures for keeping the criminating anti-socialist practices within strict limits. Hence the [illegible] of the long-term interest [illegible] of the communist movement apart [illegible] the [illegible] programme and [illegible] the recent developments [illegible] the Tiananmen Square will need [illegible] to be exercised [illegible] counter-productive.

The [illegible] have said that experienced and [illegible] institutional leadership of the CPC. And it cannot be [illegible]. To a distant observer the answer seems to lie in the intellectual and theoretical lethargy that has been marking the Chinese leadership in the recent period. That is the leadership and more particularly the one who matters most, namely Deng Xiaoping, while revealing an awareness of the steadily accumulating critical elements as a result of the development process pursued in the country, failed to work out a creative and corrective plan for counteracting them. In one area at least, that is the issue of mass participation in the decision making process, Deng clung to an absolutely wrong and even un-Marxist conception. (This we discuss later.) As a result the negative factors steadily went on gaining ground and ultimately prepared the basis for the catastrophic showdown.

DANGER OF CAPITALIST INFILTRATION

In simpler and concrete terms Deng always aware of the fact that the socio-economic processes unleashed under the so-called socialist modernisation plans had been generating considerable elements with clearly capitalist orientation in the country's structure and superstructure and that this called for powerful corrective intervention by the leadership. But apart from occasional warnings about the danger of capitalist penetration accompanied by frequent harpings on the need for steadfast loyalty to the four so-called cardinal principles which essentially boiled down to submission to the leadership of the CPC, no other meaningful steps were taken to meet the threatened danger of the capitalist infiltration. In other words, apart from the repeated stress on the need for commitment to socialist ideology in the abstract and loyalty to the CPC in practice nothing was really done to integrate the socialist ideology with the concrete and day-to-day social practice. This position has been quite correctly noted by a Chinese American academic, David Chang, in his recent book on Deng Xiaoping. He says:

> In China today there exists an ideological void. Nearly every intellectual and moderate politician in China today is reluctant to talk about Marxism or Maoism. People have lost interest in politics and ideology entirely.

Chang then comments with apparent justification:

> Deng's ideological commitment to experimental socialism is unshakable. But he would not allow the need for ideological abstraction to disrupt the need for policy flexibility.

Finally Chang rightly concludes:

> The current ideological void does not, however, imply an abandonment of Marxism and Mao Zedong Thought. It simply postpones to a proper future time the revision of the ideological front which will be an after-event without failure.

The truth of this commentary may be seen from Deng's own writings and speeches. He was really aware of and worried about the ideological weakening of the party and the people. In his speech to the Second Plenary Session of the 12th Central Committee on October 12, 1983, Deng said:

> Some are polluting people's minds with unwholesome ideas, works and performances. In essence, spiritual pollution means the spread of all kinds of corrupt and decadent ideas of the bourgeoisie and other exploiting classes and the spread of distrust of socialism, communism and leadership by the Communist party. The year before last, the

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Central Committee convened a forum on problems in the ideological field, at which certain tendencies towards bourgeois liberalisation were criticised Some results were achieved after that forum but not all the problems were solved In some places leadership remained weak and lax not all tendencies towards bourgeois liberalisation were overcome and some even grew worse

In the course of the same speech, Deng said

Some of our comrades rush to praise to the skies all trends in philosophy economics socio politics literature and art of the west without analysing them distinguishing the good from the bad or exercising any critical judgment There has been such confusion in the import of western academic and cultural things that in recent years we have witnessed an influx of books films music dances and audio and video recordings that even in the western countries are regarded as pernicious junk

Weakened Ideological Moorings

Deng's pontification had little impact on the course of objective development Three years later he had to admit regretfully

With regard to the question of opposing bourgeois liberalisation I am the one who has talked about it most often and most insistently Why? First because there is now a trend of thought that is liberalisation among the masses especially among the young people Second because this trend has found support from the leaders For example there have been some comments from people in Hong Kong and Taiwan who are all opposed to our Four Cardinal Principles and who think we should introduce the capitalist system lock stock and barrel

This was what Deng said on September 28 1986 Three months later on December 30 1986 reacting to the large scale student agitation at the time Deng said

We have to admit that on the ideological and theoretical front both central and local authorities have been weak and have lost ground They have taken a *laissez faire* attitude towards bourgeois liberalisation

With a critical look at the past Deng bemoaned

Originally I had not intended to say anything at the Sixth Plenary Session of the 12th Central Committee But later I felt I had to intervene to ask that there be included in the resolution a few words on the necessity of combating bourgeois liberalisation Apparently my remarks on that occasion had no great effect I understand they were never disseminated throughout the party

Indeed, it cannot be denied that Deng always revealed his worries about the weakening of the ideological moorings of the Chinese society On March 7 1985 speaking at a conference on Scientific and Technological Work he said

Some people are worried that China might go capitalist We cannot say that their concern is entirely without reason At present there are certain phenomena that demand our attention For example, there is a lack of ideals, as is manifested in the tendency to put money above everything else. During the current economic reform some tricky practices have appeared There are people who say 'You have your policies and I have my ways of getting around them Indeed they have plenty of ways

While Deng at least revealed an awareness of the possible if not growing threat from the right Zhao Ziyang and to the extent he represented it the collective leadership of the CPC tended to underplay this threat In his report to the 13th Congress of the CPC held in October 1987 Zhao Ziyang posited an artificial separation between class struggle on the one hand and the contradiction between the growing material and cultural needs of the people and backward production on the other He did not seem to realise that unless consciously and correctly handled the second contradiction between the growing needs and production could be sought to be resolved in a manner which would not only aggravate the class struggle but also in the process favour the exploiting classes vis-a-vis the exploited

The barely two page resolution adopted by the 13th Congress ratifying Zhao Ziyang's report blandly called for combating interference from the left and right without ever mentioning the fact that the socio economic programmes pursued by the country will certainly be generating forces favourable to the right orientation

Most importantly Zhao's report clearly formulated and supported the unstated premise of Deng Xiaoping's prescriptions namely that by merely invoking loyalty to the socialist ideology in the abstract that is without a close integration of ideology with social practice right proclivities could be effectively combated and defeated Zhao upheld the perspective of opposing wrong ideology through education by positive examples and through correct criticism *instead of through political movements* (emphasis added)

In the meantime resentment against the basic or to use the CPC concept *cardinal* principle of the people's democratic dictatorship led by the Communist Party was steadily building up particularly among the intelligentsia The bourgeois liberal Chinese American academic quoted earlier David Chang has noted that the Chinese intelligentsia and average people expected political equality for all citizens and individuals who shall resist any privileged party seeking to perpetuate class or political power Reviewing the course of the students agitation in December 1986 he noted that The students and a few city workers openly attacked the party dictatorship and held debates and seminars in the streets The Chinese newspapers abroad echoed the student demands and voiced the 'incompatibility of economic freedom with political dictatorship' "

Role of Communist Party

Indeed the most fundamental issue of the present turmoil in China is the role of the Chinese Communist Party Firstly there is undoubtedly some truth in the popular perception that elements in the party have developed powerful vested interests in its predominant position in the power- structure which they utilise for their personal aggrandisement Zhao Ziyang did not mince words in castigating this phenomenon when he said in his report to the 13th Congress of the CPC

In the past few years there have been frequent cases of tax evasion smuggling trafficking in smuggled goods bribery extortion, embezzlement and theft moral degradation, violation of the law by persons in charge of executing it divulgence of state secrets and economic information breach of discipline in dealing with foreigners favouritism in making appointments and vindictive attacks on others

These aberrations and the consequent personal states of the corrupt cadres of the CPC apart there are more fundamental and fully justifiable causes of the pre eminence of the Communist Party in the country's polity Article 2 of the Constitution of China constitutionally enshrines what may be termed the extra constitutional position of the party when it lays down that The Communist Party of China is the core of the leadership of the whole Chinese people

Deng Xiaoping has been constantly highlighting the supreme importance of preserving the pre eminent role of the CPC He has for instance said

The core of the four cardinal principles is upholding the leadership by the party We have said many times that without the leadership by the party a big country like China would be torn by strife and incapable of accomplishing anything Whether inside or outside the party all tendencies towards weakening breaking away from opposing or liquidating the leadership by the party must be criticised Leadership by the party is the key to the success of the four modernisations and current readjustment

Further

Democracy without the party's leadership would only plunge our country once again into anarchy and make it harder to truly democratise the life of the country develop the economy and raise the people's standard of living

Some academic experts on China in India have raised the bogey of a possible rise of war lordism in China out of the Chinese army's role in suppressing the students' struggles Nothing can be further from the truth Firstly there is nothing so far to contest the fact that in China the party still controls the gun not the other way round Secondly apart from a *democratically centralised* Communist Party there does not exist today nor can there develop soon any other agency or structure which can hold together guide and lead the country forward It is *only* the weakening of the party's leadership that may again lead to the rise of a new war lordism fragmentation of the country and the plunging of the society into a new round of civil war

The fundamental reason for this is the fact as the CPC leadership so frequently, proclaims that the entire history of the country since 1911 has proved that there is

no possibility of pro[illegible] the country modernisation and development along a capitalist path. It is [illegible] socialist pa[illegible] or to pu[illegible] in line with the general [illegible] of the CPC [illegible] reformation increasing [illegible] cautions and s[illegible] that the Chinese people [illegible] enriched human existence.

And [illegible] fundamentally in the absence of [illegible] economically adequate and ideologically and politically mature socialist [illegible] the country. The Chinese Communist Party [illegible] to play the central role of a [illegible] leadership [illegible] autonomous of the [illegible] and [illegible] from [illegible] capitalist [illegible].

It is [illegible] that the Indian [illegible] V P Dutt in a newspaper article which denounces the CPC's actions in Beijing as a step toward [illegible] ship into warlordism had to admit to the [illegible] that there are only two organised groups in China, the Communist Party and the People's Liberation Army. They alone are capable of organised action and of pursuing a coordinated programme. Only. But [illegible] somewhat wide of the mark in treating the party and the PLA as independent entities. They are indeed [illegible] led by the former. If and when they really [illegible] apart and the PLA becomes [illegible] independent or autonomous in [illegible] then of course there will emerge the [illegible] of it disintegration into splintered clusters of warlords.

The real socio-historical section in China being what it is and the role of the Communist Party being as crucial as it is, there is the highest importance and urgency for its reformation and ideological reorientation. The party has to be sharply critical of its weaknesses and lapses but only with a view to purging it of all its defects, never for weakening or helpless [illegible]. It may be remembered that in a similar situation addressing some critics who had been demanding *Prostroikas* actions against certain measure of bureaucratic degeneration of the Bolshevik Party in the early post Revolution years, Lenin had admonished all talk of surgical operation. Surgery he had said in this case is an absurdity, an impossibility, only a slow cure, all the rest charlatanry or naivete.

The logic of a frontal opposition to the Chinese Communist Party in the contemporary situation is likely to lead to a practice which will in essence amount to counter revolution. This is evident from the follow up to the Beijing events. Some forces in Hong Kong which began with the call for democratisation of the Chinese polity have ended today with the call for armed struggle for the overthrow of the present Chinese regime. A six point manifesto issued by the Hong Kong Alliance in Support of Patriotic Democratic Movement in China June 1989 ends with the following call. All People's Army who retain their sense of integrity and justice to mobilise themselves to protect the people, turn their guns around and join the people in their fight against the fascist Deng Yang Li rule.

STATE OF THE WORKING CLASS

The crux of the problem in contemporary China as well as its basic solution are both intimately connected with the present state of the Chinese working class. Socialism which is essentially the historical form of working class rule in society can be properly ushered in only by the working class itself. But it is well known the working class is numerically too small compared with the size of the Chinese population. Further its political weightage is also very low for many historical reasons. According to available information the total number of workers and employees in China was only 120 million in 1986. This is just about one per cent of the population. Of this about 80 million or two thirds of the total number of workers and employees were enrolled in the trade unions which are, however, considerably bureaucratised as they were run by 3 20 000 full time off production trade union cadres and about 1 00 000 staff members. Despite this huge body of unionised workers and despite the recent promotion of workers congresses in the work places the political role of the working class and its organisa

NOTICE

It is hereby notified for the information of the public that J K Industries Limited [illegible] to make an application to the Central Government in the Department of Company Affairs, New Delhi under sub section [illegible] of Section [illegible] of the Monopolies and Restrictive Trade Practices Act 1969 for approval [illegible] the establishment of a new Division. Brief particulars of the proposal are as under:

1. Name and address of the applicant — J K Industries Limited, Birla House, 3 Bahadur Shah Zafar Marg, New Delhi 110002

2. Capital structure of the applicant organisation

	Number of Capital units	Value Capital (Rs)
Authorised	[illegible]	1 [illegible] 00 000
Subscribed	[illegible]	14 04 11 010
Paid up	[illegible]	14 04 11 010

3. Management structure of the applicant organisation including the names of the Directors, [illegible] Manager, Managing Director, Manager Finance

The Company is managed by the Board of Directors consisting of —

Shri Harshvardhan Birla, Chairman	Shri K Pattabhiramaiah
	Shri Lalit Mohan Thapar
Shri Raghupati Singhania, Managing Director	Shri Om Prakash Khaitan
	Shri Satyapal Singh Nalukha
Shri Arvind Narottam Lalbhai	Shri Ram Swaroop Agarwal
Shri Arvind Singh	Shri Bikul Jain
Shri Bharat Hari Singhania	Shri H M Mathur
	Shri Yatindra Singh

4. Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division — New Division

5. Location of the new Undertaking/Unit/Division — Backward Area in the State of Uttar Pradesh. The [illegible] would be finalised in consultation with State Government

6. Capital structure of the proposed undertaking — Not Applicable

7. In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles indicate —

i) Name of goods/articles	High Fructose Corn Syrup
ii) Proposed Licensed Capacity	15000 tonne per annum
iii) Estimated annual turnover	Rs 11 5 Crores (Ex factory net of Excise third yr)

8. In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measure such as value, income, turnover etc — Not Applicable

9. Cost of Project — Estimated at Rs 13 0 Crores

10. Scheme of finance indicating the amounts to be raised from each source

	Rs in Crores
Banks/Financial Institutions Debentures	8 87
Foreign Exchange Loans	1 53
Internal Generation/promoters contribution	2 60
	13 00

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhawan, New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein.

For J K Industries Limited
Sd/
Dr B B BHATIA
Vice President (Projects)

New Delhi
26th July 1989

tions is extremely modest More, even its living and working conditions have suffered some setbacks in the course of the ongoing economic and administrative reorganisations A recent study of the working class situation published by a Hong Kong based independent study group provides much insight into the related problems It says

> The history of the Chinese trade union movement and its limited role in the revolution did not guarantee its emergence as a powerful force within the party

About the recent organisational innovation the workers' congress in the work place, the study says

> In one sense, workers congresses could be viewed as a form of company union limited in scope to each single enterprise, vulnerable to management manipulation and stripped of the broad character of a working class political movement
>
> Although workers congresses have the potential to enable direct democratic participation at grassroots level in many aspects of the management of enterprises the institution can also be interpreted as a political setback for the trade union movement as a whole

About trade unions proper the study says

> Democratic control of trade unions by the membership has been limited and is quite indirect by western standards In many aspects it has been absent altogether with leaders appointed from above and policies decided by state and party directives

Currently with a view to alluring foreign investments in Chinese industry the wages and living conditions of the Chinese workers have been further depressed even to a level lower than in the neo colonial pastures like Taiwan South Korea Malaysia and the Philippines

The recent recasting of socio economic policies has introduced considerable insecurity and instability in the living and working conditions of the Chinese workers The above study says

> Dramatic reforms are reaching into most aspects of life in China For the nation's workers the reforms are a double edged sword The changes may sometimes bring in more cash in hand the opportunity to change jobs a wider range of goods in the market But they have also eaten away at the very basic security which urban workers have become accustomed to over decades and which they have come to expect as a basic human right Guarantees of a job for life for both men and women housing medical benefits maternity benefits schooling and protection in old age and childbirth seem less certain now as the nation's leaders discuss redundancy bankruptcy and the hiring of workers on short term basis

The condition of the recently recruited rural workers for the multinational enterprises in special economic zones is quite horrible In March 1988 a China linked Hong Kong newspaper *Da kang Pao* reported on the 'Worries of the Shenzhen Temporary Women Workers, quoting one complaint

> 'We work more than 13 hours a day over time everyday but have never received any overtime pay The bosses do not allow us to drink water during work hours we are body searched when we go off work Our living dormitory is crowded beyond imagination 20 to 30 women into an iron walled room without toilet or bathroom How can we bear this life?
>
> When this newspaper asked them why they continued working in the factory they replied that it was because they had to leave a deposit with the management at the beginning of their employment and their wages were paid a month in arrears so that if they voluntarily left they forfeited the deposit and a month's wages

Besides there are today over seven million contract workers who suffer from various disabilities compared with even not very well off direct employees Most political activities such as district elections and party cadre selection and promotion are carried out through the work units Contract workers however do not usually have their citizenship registration with their place of employment which in turn jeopardises these rights and benefits Contract workers it is said are regarded with such disdain that some of them have difficulty in finding marriage partners

As a result of all this there is widespread discontent and even a sense of alienation among sections of industrial workers which is increasingly finding expression in strikes and other forms of collective protests According to documents of the All China Federation of Trade Unions (ACFTU) there were 129 strikes throughout China in 1987 This however is considered to be a serious underestimate by many China observers there were over 100 strikes in Shenzhen alone according to these sources

This in short is the state of the working class supposed to be the leader of the people's democratic leadership which is supposed to be the ruling alliance on People's China In real life despite the signboard of working class leadership the class itself has a very modest role in running the state even their own life and living is shaped by agencies outside and above the class As a result there is apathy and inertia within the working class in general while small segments are increasingly getting ranged against the party and the state leadership and have been raising the demand for the self determination of the class

The Workers Autonomous Federation which was formed in Beijing to take part in the demonstrations along with the students and is still continuing underground activity is a manifestation of this current The problems says a report 'the Federation was addressing focused on the corrupt bureaucracy and the existence of a privileged elite in China The wide wage discrepancy between the workers and plant managers the lack of workplace democracy the lack of genuine workers' representation in the policy-making process poor labour protection and working conditions and the deterioration of workers living standard in recent years were among their main grievances

The students and intelligentsia, a large part of which is today impressed and allured by the glitters of western society, are the victims of the bourgeois blandishments from within and without and a significant segment of these strata have consciously or unconsciously moved over to a position of support to the bourgeois democratic order, and hence basically of opposition to socialism

At the moment the peasantry is generally dormant politically But if the situation in the countryside is allowed to run its present course without checks and balances then economic polarisation will erode the social base of the people's democratic dictatorship in China from both the ends the expanding new rich will be seeking unrestricted freedom and all sorts of incentives for capitalist evolution of agriculture and free trade while the relatively impoverished people at the rural base will be dissatisfied with the regime because of their sense of deprivation

DEMOCRATIC ASPIRATIONS UNDERESTIMATED

Along with this another factor mentioned at the beginning of this piece, that is Deng's wrong orientation that is his infatuation with administrative efficiency at the expense of democratic participation which is anti democratic in essence (and this may indeed be the collective orientation of the CPC leadership as a whole) may complicate the situation further in the sense that it would hamper the process of deepening the democratic character of the Chinese society Let us have it directly from Deng himself

> Ours is the system of the people's congresses and people democracy under the leadership of the Communist Party The greatest advantage of the socialist system is that when the central leadership makes a decision it is promptly implemented without interference from any quarters We don't have to go through a lot of repetitive discussion and consultation with one branch of government holding up another and decisions being made but not carried out From this point of view our system is very efficient

Deng's position in the name of efficiency and smooth functioning belittles the importance of fuller participation of the masses in the decision making process It is opting for a paternalistic functioning If the present pattern is permitted to develop further, then the advertised people's democratic dictatorship may ultimately develop into an autonomous party rule of a Bonapartist character -more appropriately a Caesarian phenomenon of the progressive type to follow the Gramscian concept

The CPC leadership as a whole seems to be seriously underestimating the strength of the democratic aspirations of the Chinese people for securing an increasing role in the decision making processes. By neglecting these yearnings of the people and even more by trying to suppress them the CPC leadership can only succeed in antagonising the masses and thus indirectly and objectively aid the counter revolutionary forces both within the country and outside to strike deeper roots among the people

While all these dimensions of the Chinese development have to be taken into consideration in assessing the Beijing events commentators all along the political spectrum have come out with glib declamations on the basis of superficial symptoms. Indian comments so far may be specified into the following three categories. First, the bourgeois liberal gloating over the supposed demonstration of the deliberate option of the Chinese masses for the Gandhi-Nehru model of bourgeois democracy. These commentators are not aware of the judgment of history that this model can neither come into operation in China nor can it succeed even if it could somehow be introduced. Second, the intellectual socialist invoking abstract democracy and abstract humanism to judge the concrete historical phenomenon which is the resultant of, to quote Engels, innumerable intersecting forces, an infinite series of parallelograms of forces, and therefore cannot be judged by any abstract ideal. Third, the old Maoist which has learnt nothing and forgotten nothing from the rich though largely negative experience of Chinese history from 1956 to 1976 and which does not realise that much of the problems which have today blossomed into a full blown crisis owe their origin to the setback to the process of China's socialist transformation as a result of Mao's inept social engineering during this period.

BASIC ISSUE

In judging the Chinese development one has to take note of the following basic dimensions of the situation:

(i) Whether any section of the Beijing agitationists had a premeditated plan for upsetting the present regime or not, and whether the agitation had any foreign counter-revolutionary links or not, further continuation of the movement along the line it had been developing would have seriously threatened the existence and stability of the present order. Since there is no real alternative to the present order, if the moment its collapse would have only led to an anarchy nullifying the gains of the country's liberation and subsequent reconstruction. Since there is no real possibility of a stable bourgeois democratic alternative order emerging in the country, the fall of the present order could only lead to a disintegration of the unified China into warring parts.

(ii) Even if the bureaucratisation and a certain degeneration of the CPC and its regime be true, there can be no drastic remedy to it. Any bid for a drastic or surgical to use Lenin's idiom operation for the purpose will only seriously jeopardise the process of socialist transformation and may ultimately lead to anarchy, etc.

(iii) The CPC has to review and revise its over-simplified concept of economic development through the incentive of private gains and open door policy (not entirely abandon it) and should keep in mind Lenin's warning that even a controlled opening to capitalism creates a serious challenge to the socialist course of development.

(iv) The CPC should realise that the urge for democratic mass participation in the decision-making process is an extremely powerful, and in the last analysis helpful, factor in the process of progressive social evolution and has to be accommodated and encouraged.

(v) Finally, the key to real socialist consolidation in China today lies with the working class – how soon and how effectively it can be led and guided into playing its due role as the leader of the party and society.

Unfortunately the Fourth Plenary Session of the 13th Central Committee of the CPC held on June 23 and 24, that is after the Beijing events, does not, as is seen from the brief Xinhua communique, indicate any basic corrections to the erroneous orientations the party leadership has been suffering from. While it again pays lip service to enhancing ideological and political work, it fails to mention in this connection the need to move from the level of demanding abstract loyalty to ideology to that for remoulding the practice by a close integration of the ideology with day-to-day practice. Neither does it care to highlight the fact that its basically correct programme of economic reconstruction carries with it increased scope for capitalist penetration both in the structural and super-structural regions. More importantly, the resolution makes no mention of the party's grave neglect of the working class. It fails to highlight the key task of creating conditions for developing the Chinese working class for the leading role in society which is its due and which is essential for the socialist advance of the country.

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It will be open to the Council to consider the names of suitable candidates who may not have applied.

Mounting Antagonism towards Big Dams

Ashok K Mitra

B D Dhawan (May 20) has attempted to put the issues relating to large and medium storage route to irrigation development in a proper perspective. While he himself is not convinced with the questions raised by the environmentalists soil conservationists, social and natural scientists against the role of major irrigation works based on big dams he has appealed to the irrigation planners to engage in an open dialogue and discussion with their critics His own defence against the grounds on which the idea of big dams is being questioned however does not appear to be too convincing To begin with, consider first the environmental angle. While he accepts that the forest cover to be lost by a single dam like Narmada Sagar can be unduly high it is no solace to learn from him that damage to forest is much higher on account of illegal felling unauthorised ploughing of forest lands authorised allotment of forest land do dam oustees and increased pressure from the grazier Besides for all we know damage to forest because of all these factors may be the backlash of forest cover lost and people ousted for the construction of big dams In any case to minimise such losses his suggestion is to decrease the storage height But it should not be overlooked that reducing the reservoir size is not merely a technical issue its economic implications in terms of costs and benefits will have to be worked out in order to examine if the economic feasibility is adversely affected A more general point, however is that loss of forest cover cannot be counted only in terms of felled trees it has to be seen in its entirety in terms of destroying the whole eco system which in the long run may adversely affect the availability of water in the reservoir through siltation and deficient rainfall in the catchment area Are all these externalities fully internalised in justifying the projects on economic grounds?

Similarly, the problem of land degradation by waterlogging and soil salinity within the canal commands served by big reservoirs he suggests, can be effectively checked with adequate provision of drainage or the use of drip or sprinkler modes of water use as the case may be But the cost of drainage work is no different from that of the canal network itself and hence because of paucity of investment fund this work is missing from our major canal network Yet the benefit is estimated on the entire potential created disregarding the fact that owing to lack of drainage gradually in the long run more and more land in the canal command would get degraded Has this been properly accounted for in cost benefit analysis to justify the project on economic grounds?

Secondly, consider the technical issue related to seismic disturbances owing to impounding huge mass of water as in the case of Tehri dam in Garhwal which may cause an earthquake of severe intensity leading to utter disaster Again, is the safety factor suggested by Dhawan considered in full, if so, is the increased cost involved in ensuring such safety economically justify constructing such dams? Tehri dam's case in this respect has been very clearly brought out by Paranjpye which merits very serious consideration*

Thirdly the sociological angle of rehabilitation of dam oustees one of the most sensitive issues cannot be settled by earmarking a lump sum amount as compensation to be paid as suggested by Dhawan The nature of compensation to be paid the manner in which it is to be paid the period over which it is to be paid and whether it covers the annual income earned by the oustees have to be examined in detail The planners and the officials are most secretive about these details One wonders if the compensation is arrived at in this manner how far would the project be viable in terms of benefit-cost ratio

Fourth is the issues directly related to economic aspects of alternatives to large dams It is very well known that the returns from investment on big irrigation works is abysmally low project after project for various reasons some of which are rooted in the issues discussed above It would therefore be irrational to be obsessed with the big dam projects and not to examine threadbare the technical and economic issues related to alternatives mainly of course, minor irrigation It would not do to call the assertion of superiority of minor irrigation as myths and half truths' a great deal of homework needs to be done to dispel the myths and half truths about superiority of minor irrigation, if at all It is nobody s case that the two are mutually exclusive To the extent that waterlogging in the canal command could be considerably reduced and that ground water sources could be recharged considerably under different circumstances by conjunctive use of surface and canal water there is need for both for a balanced development of irrigated farming

Lastly the question of distributive justice is a very relevant consideration in any development project in an underdeveloped country like India It is because of this consideration that in cost benefit analysis of irrigation projects one is often confronted with the question of whose benefit at what (whose) cost? Considering the valid accusation that beneficiaries of big dams are mainly the influential and well to-do farmers and the affected ones are mainly the tribals and other economically weaker sections of the population a premium ought to be attached to the income distribution effect of a development project which benefits more the weaker sections of the society Alternatives to big dams like Narmada Sagar and Sardar Sarovar need also to be examined from this point of view

The controversy regarding big versus small irrigation dams needs to be examined in its entirety in a multidisciplinary approach and not in piecemeal manner as objections raised by environmentalists ecologists technicians economists sociologists anthropologists, etc With the advancement of knowledge and expansion of its frontier it is now possible to analyse and discuss the issues in developmental planning in all its aspects from the long term perspective so that the social output could be increased by maintaining and preserving the natural resources and not at the cost of depleting these It is against this background that there is an urgent need for an overall long term national policy for the efficient development and management of land and water resources in the country

* Vijay Paranjpye, Evaluating the Tehri Dam' Studies in Ecology and Sustainable Development I An Intach Series New Delhi 1988

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Previous Year 31.3.1988 Rs	CAPITAL & LIABILITIES	Rs P	31.3.1989 Rs P
6 500 000	**1 Capital** Face Value of Securities deposited with Reserve Bank of India under Section 11 of the Banking Regulation Act 1949		7 350 000 00
0	**2 Reserve Fund and Other Reserves** a Head Office Reserve (Amount remitted in DM from HO See Note)	1 [illegible]	
0	b Retained Profits Reserve under Section 11 of the Banking Regulation Act 1949	15[illegible]	
0			[illegible]
0	**3 Deposits and Other Accounts** Fixed Deposit (i) From Banks	0	
406 81[illegible]	(ii) From Others	[illegible]	
[illegible]	Savings Bank Deposits	[illegible]	
[illegible]	Current Accounts and Contingency Accounts etc (i) From Banks	[illegible]	
111 [illegible]	(ii) From Others	[illegible]	
[illegible]			[illegible]
0	**4 Borrowings from Other Banking Companies Agents etc** (i) In India	158 [illegible]	
[illegible]	(ii) Outside India	0 00	
[illegible]			158 [illegible]
	Particulars Secured 1987 0 Secured 1989 0 Unsecured 1988 [illegible] Unsecured 1989 158 [illegible]		
23 [illegible]	**5 Bills Payable**		[illegible]
75 468 81	**6 Bills for Collection being Bills Receivable as Per Contra** (i) Payable in India	54 135 [illegible]	
2 [illegible]	(ii) Payable outside India	[illegible]	
[illegible]			[illegible]
24 676 740	**7 Other Liabilities** (i) Head Office & Branches Outside India Net	8 05[illegible]	
34 161 4	(ii) Others	78 881 531 5[illegible]	
58 838 1[illegible]			10[illegible]
115 572 099	**8 Acceptances & Endorsements and Other Obligations as Per Contra**		371 [illegible] 758 14
808 374 825	Carried Forward		1 780 648 582 30

Previous Year 31.3.1988 Rs	PROPERTY & ASSETS	Rs P	31.3.1989 Rs P
[illegible]	**1 Cash** In hand and with Reserve Bank and with State Bank of India including Foreign Currency Notes		[illegible]
10 031 [illegible]	**2 Balances with Other Banks** (A) On Current Account (i) In India	[illegible]	
[illegible]	(ii) Outside India	[illegible]	
[illegible]	(B) On Deposit Account (i) In India	[illegible]	
[illegible]	(ii) Outside India	[illegible]	
[illegible]			[illegible]
0 00[illegible]	**3 Money at Call and Short Notice**		[illegible]
[illegible]	**4 Investments At Lower of Cost or Market Value** (i) Securities of the Central and State Government and other Trustee Securities including Treasury Bills of the Central and State Government	[illegible]	
0	(ii) Shares fully paid equity share	55[illegible]	
[illegible]	(iii) Debentures or Bonds	[illegible]	
[illegible]	(iv) Other Investment	[illegible]	
[illegible]	(v) Cash	[illegible]	
[illegible]			[illegible]
17 45[illegible]	**5 Advances** (Other than Bad and Doubtful debts for which provision has been made to the satisfaction of the Auditors) (I) Loans Cash Credit Overdraft etc (i) In India	51 [illegible]	
0	(ii) Outside India	0 00	
55 [illegible]	(II) Bills discounted and Purchased (Excluding Treasury Bills of the Central and State Government) (i) Payable in India	[illegible]	
1 [illegible]	(ii) Payable outside India	[illegible]	
[illegible]			[illegible]
75 468 81	**6 Bills Receivable being Bills for Collection as Per Contra** (i) Payable in India	54 135 [illegible]	
[illegible]	(ii) Payable outside India	[illegible]	
[illegible]			56 523 375 16
115 572 099	**7 Constituents Liabilities for Acceptances Endorsements and Other Obligations as Per Contra**		371 [illegible] 758 14
695 219 837	Carried Forward		1 574 704 343 81

Deutsche Bank AG

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(INCORPORATED IN THE FEDERAL REPUBLIC OF GERMANY WITH LIMITED LIABILITY)

BALANCE SHEET OF INDIAN BRANCHES AS AT 31ST MARCH 1989

Previous Year 31.12.1987 Rs	CAPITAL & LIABILITIES	Rs P	31.3.1989 Rs P
808 374 825	Brought Forward		1 780 648 582 30
	9 Profit and Loss Account		
5 253 650	Balance brought forward 4 150 897 [illegible]		
	Add Profit for the period per profit and loss account 10 [illegible] 871 [illegible]		
4 150 897			
9 404 547		11 [illegible] 769 3	
	Less Transferred to Head Office 4 150 897 [illegible]		
5 253 650			
	Transfer to Retained Profit Reserve under Section 11(1)(b)(ii) of the Banking Regulation Act 1949 2 159 36[illegible] 00		
0			
		6 310 261 42	
4 150 897			8 [illegible] 0 [illegible]
	10 Contingent Liabilities		
	(i) Claims against Bank not acknowledged as debts	0 00	
0			
	(ii) Liability on account of outstanding Forward Exchange Contracts	86[illegible] 34 [illegible]003 00	
37[illegible] 3[illegible] [illegible]			
	(iii) Liability on account of Guarantees and Warranty Contracts given on behalf of Customers (including Guarantees given on behalf of officers – Rs 161 06 Previous year Rs 1 2 11[illegible])		
408 126 096		4 [illegible]0 634 681 84	
	(iv) Liability of Bills of Exchange Rediscounted		
507 793 000		1 073 500 000 00	
812 525 722	TOTAL		1 789 [illegible]86 0[illegible]0 [illegible]0

Previous Year 31.1.1987 Rs	PROPERTY & ASSETS	Rs P	31.3.1989 Rs P
695 219 847	Brought Forward		1 574 704 343 81
	8 Premises Less Depreciation:		
7 138 009	Cost as at 1st January 1988	7 143 009 11	
5 000	Add Additions during the period	8 307 960 00	
7 143 009		15 450 969 11	
893 758	Less Depreciation Written Off to date	1 248 941 63	
6 [illegible]49 251			14 202 027 48
	9 Furniture and Fixtures Equipment Vehicles etc Less Depreciation:		
8 060 295	Cost as at 1st January 1988	8 [illegible]88 176 44	
745 162	Add Additions during the period	7 8[illegible]7 412 50	
8 805 457		16 615 588 94	
17 280	Less Deductions during the period	2 686 76	
8 788 177		16 612 902 18	
5 413 262	Less Depreciation Written Off to date	7 514 305 21	
3 374 915			9 098 596 97
	10 Other Assets		
1 920 876	(i) Interest accrued but not due on Government Securities (net)	5 [illegible]37 125 43	
16 874	(ii) Stamps and Stamped documents	[illegible] 580 4[illegible]	
3 165 561	(iii) Interest Accrued	[illegible] 832 716 55	
5 576 391	(iv) Prepaid Expenses	19 159 344 74	
94 948 617	(v) Sundry Advances Deposits	154 5[illegible] 354 73	
	(vi) Deposits under the Companies Deposits (Surcharge on I.T.) Scheme		
[illegible] 053 000		[illegible] 053 000 00	
107 [illegible]81 71[illegible]			191 281 121 94
	11 Non Banking Assets Acquired in Satisfaction of Claims		
0			0 00
0	**12 Profit and Loss Account**		0 00
812 525 722	TOTAL		1 789 286 090 20

Per our attached report
For A F FERGUSON & CO
Chartered Accountants

Sd/-
M S DHARMADHIKARI
Partner
Bombay 31st July 1989

(H FRESE)
Chief Executive Officer (India)

(B KRISHNAN)
Chief Accountant

Deutsche Bank AG

(INCORPORATED IN THE FEDERAL REPUBLIC OF GERMANY WITH LIMITED LIABILITY)

PROFIT AND LOSS ACCOUNT OF INDIAN BRANCHES FOR THE 15 MONTH PERIOD ENDED 31ST MARCH 1989

Previous Year 31 12 1987 Rs	EXPENDITURE		Rs P	Previous Year 31 12 1987 Rs	INCOME (Less provision made during the period for Bad and Doubtful debts and other usual or necessary provisions)		Rs P
42 726 233	1	Interest paid on Deposits Borrowings etc	62 739 270 07	46 448 944	1	Interest and Discount	90 685 256 72
6 403 201	2	Salaries Allowances Provident Fund etc	11 681 141 04	14 444 798	2	Commission Exchange and Brokerage	28 703 471 24
15 500	3	Directors and Local Committee Members Fees Allowances	16 000 00	0	3	Rents	0 00
5 0 667	4	Rent Taxes Insurance Lighting etc	9 270 489 84		4	Net profit on Sale of Investments gold and silver land premises and other Assets (not credited to reserves or any particular Fund or Account)	5 442 444 71
1 000	5	Law Charges	0 00	1 469 640			
984 711	6	Postages Telegrams and Stamps	2 406 671 31		5	Net profit on revaluation of Investments gold and silver land premises and other Assets (not credited to reserves or any particular Fund or Account)	0 00
10 000	7	Auditors Fees	75 000 00				
1 675 624	8	Depreciation on and Repairs to the Banking Company s property	2 470 457 16	0			
70 818	9	Stationery Printing Advertisement etc	1 811 183 79	0	6	Income from Non Banking Assets	0 00
0	10	Loss from sale of or dealing with non banking assets	0 00	29 407	7	Other Receipts	77 729 73
10 669 043	11	Other Expenditure (including proportion of Head Office expenses)	23 791 717 29	0	8	Loss	0 00
4 150 837	12	Balance of Profit	10 796 871 90				
62 492 789			124 958 792 40	62 492 789			124 958 792 40

Remuneration paid to the Chief Executive Officer (India)

	1988/89	1987
Salary	761 280 00	462 000 00
Estimated monetary value of benefits or perquisites on Income Tax basis	200 703 00	123 156 00

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE PERIOD JANUARY 1 1988 TO MARCH 31 1989

1 Pursuant to a merger during the period of Deutsche Bank (Asia) AG with Deutsche Bank AG the entire undertaking of Deutsche Bank (Asia) AG in India has been taken over by Deutsche Bank AG

2 Head Office Reserve Account comprises of

(i) Capital amount of Rs 2 million brought in from Head Office in compliance of Section 11(2)(a) of the Banking Regulation Act 1949 and

ii) the funds remitted by Head Office in DM equivalent of Rs 22 97 million together with a portion of approved remittable surplus for the year 1987 amounting to Rs 2 15 million retained by the Bank to meet the cost of acquisition of residential premises at Bombay and to meet the Deposits/Advance Rent of Bank Premises at Delhi as per the Reserve Bank of India s guidelines

3 The provisions for Interest tax for earlier years from 1 1 1982 to 31 3 1985 have been made on the basis of the stand taken by the Bank in the Returns of Chargeable Interest filed by it with the assessing authority in respect of which assessments are in progress Should the assessing authority take a different view in assessments there could be an additional charge for Interest tax amounting to Rs 2 16 million

4 Previous year s figures have been regrouped wherever necessary and are not comparable with the current period figures which are for a period of fifteen months

Per our attached report

For A F FERGUSON & CO
Chartered Accountants
Sd/
M S DHARMADHIKARI
Partner
Bombay 31st July 1989

(H FRESE)
Chief Executive Officer (India)

(B KRISHNAN)
Chief Accountant

Deutsche Bank AG

(INCORPORATED IN THE FEDERAL REPUBLIC OF GERMANY WITH LIMITED LIABILITY)

Schedule of Particulars of Advances required by the Banking Regulation Act, 1949 (Act X of 1949) attached to and forming part of the Balance Sheet as at 31st March 1989

Previous Year Rs P		31 3 1989 Rs P
[illegible]	i) Debt [illegible] Banking Company [illegible] fully [illegible]	[illegible]
[illegible]	ii) Debt [illegible] for which the Banking Company holds [illegible] than the [illegible] personal [illegible]	[illegible]
[illegible]	iii) Debt [illegible] personal liability [illegible]	[illegible]
—	iv) Debt [illegible]	—
[illegible]		[illegible]

Previous Year Rs P		31 3 1989 Rs P
[illegible]	v) Debt due by the Directors or Officers of the Banking Company or any of them either severally or jointly with any other person	956 262 55
—	vi) Debt due by Companies or firms in which the Directors of the Banking Company are interested as directors, partners or managing agents or in the case of private companies as members	—
[illegible]	vii) Maximum total amount of advances including temporary advances made at any time during the period to Directors or Manager or Officer of the Banking Company or any of them either severally or jointly with any other person	[illegible]
—	viii) Maximum total amount of advances including temporary advances granted during the period to the companies or firms in which the directors of the Banking Company are interested as directors, partners or managing agents or in the case of private companies as members	—
—	ix) Due from Banking Companies	—

Auditors' Report on the Accounts of the Indian Branches of Deutsche Bank AG Under Section 30 of the Banking Regulation Act, 1949

[illegible] have audited the attached Balance Sheet of the Indian branches of Deutsche Bank AG [illegible] incorporated in the Federal Republic of Germany with limited liability as at 31st March 1989 and [illegible] Profit and Loss Account of the Indian branches of the Bank for the period 1st January 1988 [illegible] 31st March 1989 annexed thereto.

[illegible] Balance Sheet and Profit and Loss Account have been drawn up in accordance with the provisions of section [illegible] of the Banking Regulation Act 1949 read with the provisions of section [illegible] of the Companies Act 1956.

[illegible] report that

[illegible] we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit and have found them to be satisfactory.

[illegible] the transactions which have come to our notice have been in our opinion within the powers of the Indian branches of the Bank.

(3) in our opinion proper books of account as required by law have been kept by the Indian branches of the Bank so far as appears from our examination of these books.

(4) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.

(5) in our opinion and to the best of our information and according to the explanations given to us subject to note 3 regarding short provision of Rs [illegible] 16 million for interest tax the accounts together with the notes thereon give the information required by the Companies Act 1956 in the manner so required for banking companies and on such basis the Balance Sheet gives a true and fair view of the state of affairs of the Indian branches of the Bank as on 31st March 1989 and the Profit and Loss Account gives a true and fair view of the profit of the Indian branches of the Bank for the 15 months ended on that date.

Bombay 31st July 1989

For A F FERGUSON & CO
Chartered Accountants
Sd
M S DHARMADHIKARI
Partner

॥श्री॥

SHREE
BUMPER DRAW

One Common Prize
Rs. 21 lakh.

Other 21 Bumper Prizes
3 Prizes of Rs. 2.5 lakh
6 Prizes of Rs. 1 lakh
12 Prizes of
Rs. 25 thousand.

Total Prizes
3 lakh 33 thousand 382
Total Prize Amount
Rs. 82 lakh 50 thousand.

Price of a ticket Rs. 5/-

Draw-Friday 15th Sept. 1989

MAHARASHTRA STATE LOTTERY

DGIPP

New Income Tax Assessment Procedure

Now the Income Tax people trust you all the more- and fully!

Effective Assessment year 1989-90 (that is beginning April 1, 1989) the Income tax Department reposes full confidence in every taxpayer.

So if you have paid your taxes fully and correctly and have no tax to pay or no refund to get, the Acknowledgement Sheet duly stamped is your Assessment Order.

And you will hear from us [illegible] nor you need to **visit** Income tax Office any more. No more problems!

Isn't it great?

But dear taxpayer, you have to do your bit to justify this trust. We ask you to do only your small bit.

And this is:

1. File on or before due dates your return of income using correct form enclosing all the relevant documents in support of your claims regarding your income, deductions claimed, and taxes paid.
2. Ensure that there are no arithmetical errors nor are there any wrong claims for deductions, exemptions.
3. Pay all your taxes correctly and on due dates.

Is it too much to ask?

Remember **all** returns of income would be checked by us for any **prima facie** errors or wrong claims for deductions, exemptions.

And if there are any such errors or claims you will have to pay 20% additional tax on the extra income added as a result of our checking.

We have done our bit
It is now your turn to do yours

VOLUNTARY COMPLIANCE BY YOU WOULD HELP US DEAL MORE EFFECTIVELY WITH TAX EVADERS

Income Tax Department
Directorate of Income-tax
(RSP&PR)
New Delhi

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Close-up is for close-ups

Singing under the umbrella
on a rainy day sharing smiles
sharing good times And you're
confident because you've used Close up

Transparent red Close up's
two super whiteners leave your teeth
their whitest and its special mouthwash
keeps your breath its freshest

So, smile a close up smile and
stay confident because after all,
Close up is for close ups

The Toothpaste and Mouthwash in One

A quality product by Hindustan Lever

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WEEKLY

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CHANGES IN DISCOURSE ON CASTE OVER THIRTY YEARS

NEO-COLONIALISM AND PROMOTION OF 'MODERN' TECHNOLOGY

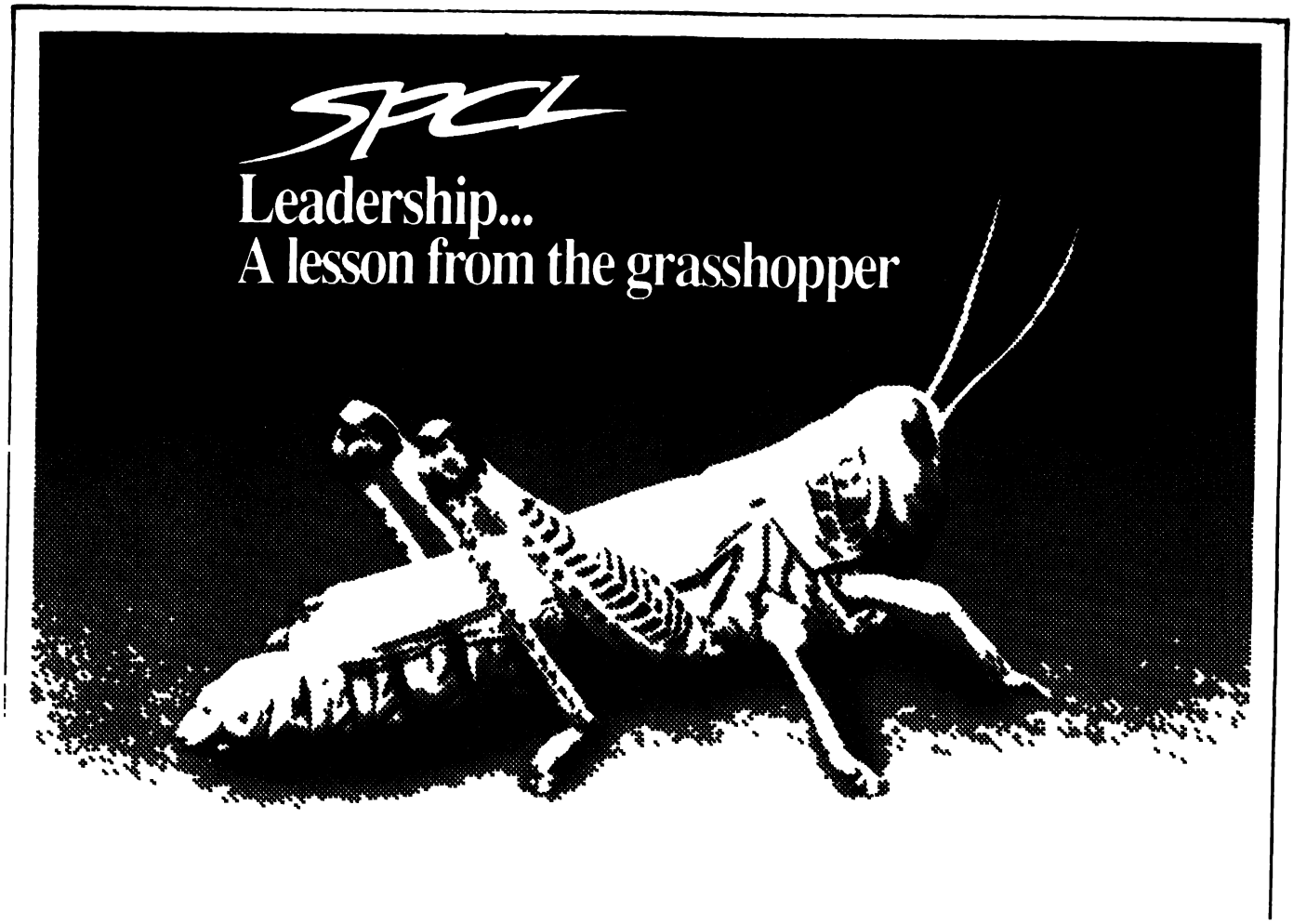
MONETARY APPROACH TO BALANCE OF PAYMENTS: A CRITIQUE

POLAND'S FOREIGN DEBT

ESTIMATING DOMESTIC RESOURCE COST: THEORY AND PRACTICE IN INDIA

MAYHEM IN DEVLIA

AMERICAN FORESTRY PROFESSIONALISM IN THIRD WORLD



An instinct to move by leaps and bounds

When it comes to bulk drug Sumitra Pharmaceuticals & Chemicals has some down to earth notions. Like identifying to manufacture the popular drugs Ibuprofen and Mebendazole with the latest SWING technology. Just as the name suggests the SWING concept has a distinct edge over the conventional methods for its versatility to adapt manufacture to a wider range of essential drugs in the shortest possible time.

Characterising the inherent trait of a grasshopper — an instinct to move by leaps and bounds.

Sumitra's plant at Medak near Hyderabad has many exciting possibilities. One conclusive reason why few of the most acknowledged professionals from diverse disciplines have opted to steer the company to a foregone direction. Success and Growth.

Come share the rewards

HIGHLIGHTS

- Promoted by dynamic entrepreneurs and guided by an eminent Board of Directors
- Most modern and highly growth oriented project
- The combination of the versatile SWING Plant concept together with the latest process technology ensures growth year after year
- Built in capability for expansion and addition of new products with minimum cost inputs
- Products in great demand both in the domestic as well as in the international markets
- Minimum gestation period. Commercial production scheduled to start by December 1989
- Low break even point at 33 and cash break even point at 20
- Equity participation by SBI Capital Markets Ltd
- 80 CC & Wealth Tax Benefits
- Listing on Hyderabad, Bombay, Delhi & Ahmedabad Stock Exchanges

Eminent Board of Directors

V N Nadkarni — [illegible]
N N Pai — [illegible]
M V Subba Rao — [illegible]
Dr K Lahiri — [illegible]
Dr V A Padval — [illegible]
M R Vikram — [illegible]
S Radhakrishna — [illegible]
Suresh Kumar — [illegible]
B D Jain — [illegible]
Ramesh Jain — [illegible]

PUBLIC ISSUE OF EQUITY SHARES

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24TH AUGUST 1989 FOR NRI'S

28TH AUGUST 1989 FOR INDIAN PUBLIC

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Concept

ECONOMIC AND POLITICAL WEEKLY

Founder Editor Sachin Chaudhuri

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ECONOMIC AND POLITICAL WEEKLY

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Vol XXIV No 32 August 12, 1989

N.S. 199

Caste: Change and Continuity

In the mid-1950s in Khalapur in western UP, about 100 miles north of Delhi, the central issues in the discourse on caste were educational and occupational access for low-caste and untouchable people, and practices of untouchability like using wells, sitting as equals or sitting hierarchically, giving and taking of food and water, sharing waterpipes together, and so on Has the discourse on caste changed over the past 30 years? If so, in what way? Khalapur revisited **1831**

Despite many political and administrative changes, in many ways time has stood still in Surendranagar in the Saurashtra region of Gujarat The continuities were brutally emphasised on May 20, 1989 by the killing in broad daylight of two persons from the backward Gadhvi community in Devlia village for the singular crime of digging a well on their own land **1812**

Forestry and Ethnocentrism

Ethnocentrism and western biases have long been identified as sources of inappropriate and unsuccessful development efforts Forestry offers an interesting case study of professional ethnocentrism and its adverse effects The ideology of renewable resource management is so comprehensive, so explicitly preached, and has for a long period of time been so fervently adhered to that it provides a particularly useful focus for this type of inquiry A study of American forestry professionalism in the third world **1839**

Technology Politics

Is the slogan leap frogging into the 21st century really as apolitical in its approach to development as it is made out to be? Will it spur the young people of India to work towards an environment that encourages innovation hard work sacrifice and even dreaming? And where has this new ideology emerged from? **1815**

Policy makers and scientists in the third world can no longer afford to be naive about the political significance of biotechnology in the next decade and need to pay close attention to the World Bank's initiatives to sow the seeds of a new biorevolution in the third world **1819**

DRC A Closer Look

The increased use of domestic resource cost (DRC) in analysis of economic policy changes in India has been welcomed as a step towards efficient resource allocation It is necessary however to be clear about the specific deficiencies of the present DRC estimation practices and to consider alternatives which could be adapted in analyses of DRC based comparative advantage of Indian industry **1845**

Paying for the Showpiece

Unlike other towns and cities in the country Delhi does not have to worry about where the money for its civic amenities comes from There are, after all some 800 million Indians to foot the bill for maintaining the nation's capital as a showpiece **1809**

An American Idea

The rhetoric currently being employed in some socialist countries would suggest that the free inflow of foreign capital is not as dangerous as a free newspaper No wonder American ideas are dominant everywhere for that is a typical American idea **1808**

Paying Peter and Paul

Poland's high indebtedness simultaneously to the developed capitalist countries as well as to the CMEA countries complicates the task of finding a solution to the problem of the country's foreign debt **1827**

Non-Payment Campaign Pays

The BJP's loan waiver campaign in Madhya Pradesh has proved to be a striking success The gimmick has caught the imagination of the rural people and is causing sleepless nights to Congress(I) leaders **1823**

LETTERS TO EDITOR

Civil Liberties: Selective Defence?

IF, as APCLA secretary A P Vittal suggests (July 15) Balagopal has not been able to hide his pro-extremist bias (June 17) neither has Vittal himself been able to conceal his pro-CPI(M) bias

As a champion of the civil liberties movement, the secretary of APCLA is expected to be above petty party politics His contention that the situation existing in the state (killing of extremists in the name of encounters) is somewhat 'justified' and that "even those who are otherwise democratic do not protest much about it does not do him any credit It is indeed, a matter of shame that a civil liberties activist should justify such callous violations of human rights. The International Charter of Human Rights does not restrict civil liberties and democratic rights only to privileged sections but extends them to each and every citizen, irrespective of ideological convictions Vittal argues that it is impossible to "go on fighting for the civil liberties of those who do not have even an iota of respect for the civil liberties of others" It is ironical that a civil liberties leader has to be told that civil liberties organisations are expected to fight against every instance of civil rights violation irrespective of the victims' attitude towards civil rights

If a petty thief is killed in police lock up, should civil liberties bodies keep silent merely because the thief does not respect the civil liberties of others? Consider the case of Raju, a 20-year old petty thief who the police allege, escaped from police custody in the first week of July His body was found just near the Saifabad police station in Hyderabad, where he was being interrogated, a few days after his reported escape. The case was taken up by the APCLC while APCLA did not raise even an eyebrow Possibly their inaction was a protest against the thief's disrespect for civil liberties and property rights

Vittal's use of the expression 'fighting' is questionable. Where has the APCLA ever fought? Does it need to fight at all, when the CPI(M) considers the TDP government its own APCLA voices concern only when CPI(M) workers or sympathisers fall victims to police brutality

In his effort to cast aspersions on Balagopal's approach and in his enthusiasm to brand the PWG as a bunch of anti-socials Vittal has resorted to misinformation He claims that the PWG blackmailed the government to release two of their arrested comrades Press reports however, say that PWG merely demanded information regarding the whereabouts of their two 'missing' comrades. In fact the government has only instituted a judicial enquiry The ghastly murder of Malhara Rao is the result of the silence that was maintained until recently by political parties, on the issue of preservation and protection of democratic rights of the people.

Although of late, all political parties, have unequivocally condemned the encounter policy of the TDP government, neither the CPM nor the APCLA have uttered a word against the fake encounters Even the governor has appealed to the conscience of the police to stop the excesses but the APCLA leader still remains unmoved

B JAGAN

Vijayawada

Left Alternative in Andhra

THE article on the Andhra Pradesh subsidised rice scheme by Wendy K Olsen (*EPW* July 15) is among the well researched and comprehensive articles to have come out on the subject No progressive individual group or party can disagree with the conclusion that the rice rationing scheme helps people but it cannot be said to 'eradicate poverty

However with regard to the points made on the political situation in Andhra Pradesh there were some inaccuracies The CPI (M) has been described as the left alternative in AP while there is no mention of CPI anywhere in the article By no stretch of imagination can the CPI(M) become the left alternative in AP Firstly with regard to size—at the beginning of 1989 the total membership of the CPI in AP was 75 000 whereas that of the CPI(M) was only 22 000 In Andhra Pradesh the CPI is a mass based party with a well knit organisational structure in all the districts of the state, while the main strength of the CPI(M) is from the Khammam, Nalgonda Krishna West Godavari and Nellore districts (even in these districts it falls behind the CPI) The mass organisations of the CPI(M)—CITU SFI DYFI Kisan Sabha and Agricultural Labour Union are no match for the organisational spread and influence of the CPI s mass organisations AITUC, AISF AIYF Kisan Sabha and Khet Mazdoor Union

The relative strengths can also be assessed from their showing in the various elections In assembly elections except in 1978 when CPI(M) won eight seats with the support of the Janata as against six of the CPI (won almost independently though there was a nominal alliance with Congress (S) the CPI s strength has been either more than or equal to CPI(M)'s strength In the elections to the gram panchayats panchayat samithis, municipalities and municipal corporations in 1980-81 CPI'S strength was second only to the Congress(I) In the mandal praja parishad elections held in 1987 CPI(M) won 42 mandals (which were gifted by NTR) while CPI on its own won 14 In the gram panchayat elections held later despite alliance with NTR, CPI(M) could win far fewer seats than CPI

The relative strength apart the CPI formed a left and democratic front comprising of CPI and other smaller parties like MCPI RPI and AP Lok Dal and gave a call for CPI(M) also to join it But till date the party refuses to do so and steadfastly toes the line of Telugu Desam Despite this regime being brutally authoritarian and anti people and whipping up regional and communal chauvinism as and when it suits, CPI(M) is still clinging to the coat tails of NTR Such an opportunist stand has lead to active cadres leaving the party in droves

The CPI(M) s Warangal and Hyderabad city units have long since gone over to MCPI And in districts like Khammam, Nalgonda Krishna etc, many have joined the CPI Miriyalguda was once known as a stronghold of the CPI(M) where no CPI cadre could enter But a number of active members of the CPI(M) disgusted with the policies of the state unit have since crossed over to CPI and early this year the CPI held its Nalgonda district conference there.

The statement in the article on CPI(ML) also is too simplistic "CPI(ML), which is also popular among radicalised youths is ruining its chances by engaging in terrorist tactics and indulging in revenge murders" CPI(ML) is not a single party It has since split into several groups, most of which are actively working among the masses and are also making use of the parliamentary forums One group of CPI(ML) has an MLA from Khammam district Only one group—the PWG led by Kondapalli Seetharamaiah is indulging in "terrorist tactics'

The left alternative in Andhra Pradesh should now comprise of the CPI, MCPI and various groups of CPI(ML) who have renounced annihilation methods In fact the 14th conference of CPI at Calcutta gave a call on such lines And in view of the pre-eminent position of the CPI among the left parties and groups in AP it is but natural that such an alternative should be lead by it

P SATISH

Mangalore

Not Second

ARUN GHOSH (July 1, p 1430) is wrong kanshi Ram did not come second in the Allahabad Lok Sabha by-election, nor did he beat—'hollow' or otherwise—the Congress(I) candidate, he came third

A CORRESPONDENT

Calcutta

ECONOMIC AND POLITICAL WEEKLY

Sri Lankan Misadventure

THE Indian army in Sri Lanka, it has now been established beyond the slightest doubt, carried out a massacre of Sri Lankan Tamil civilians in Velvettithurai town in the Jaffna area in a deliberately planned operation which began on August 2 and went on for three days The action was the Indian troops' reaction to the ambushing of an Indian army patrol by the LTTE in which six Indian soldiers were killed The Indian army's murderous retaliation directed at the civilian Tamil population has been described thus by an Indian journalist writing from Jaffna "Within hours the IPKF ringed the town, mobilising forces from nearby camps, and commenced shelling the area When the shelling stopped, a search operation was launched as the troops fanned out on a house-to-house search looking for Tigers The locals charged that the residents huddled inside houses were dragged out and shot in cold blood The local citizens' committee says that at least 70 civilians, including women, were killed in the three-day operation The Red Cross figures support this claim" The report quotes a Jaffna Red Cross official as saying "According to our estimate and that of the UNHCR at least 70 civilians have died And about 15 are women We are unable to give the exact figure as at least 58 persons, including many boys, are missing" In the two years that the so-called Indian Peace-Keeping Force has now been in Sri Lanka, this incident, while it may be one of the ghastlier ones, is by no means unique or exceptional What lent it special political significance was that the killing of the Tamils and the plunder of Velvettithurai occurred at just the time when the Indian government was trying to make out, in its talks in New Delhi with the Sri Lankan delegation headed by that country's foreign minister, that the continued presence of the Indian army in Sri Lanka was essential for the safety and security of the Tamil population of northern Sri Lanka

The fact is that the Indian army in Sri Lanka has not been engaged in ensuring the safety and security of the Tamil population Its mission has been an altogether different one to conduct a war to subdue the LTTE As part of this effort it is currently supporting and trying to bolster up the EPRLF, a rival Tamil group with little popular support which formed the provincial government after the elections last year were reduced to a sham because of the very effective boycott call by the LTTE Indian armymen have for some time been engaged in forcibly recruiting, training and arming the so-called Civil Volunteer Force which is effectively the armed squad of the EPRLF And the Indian government has been financing the whole operation Clearly, one of the purposes of stretching out the withdrawal of Indian troops from Sri Lanka till February or March next year, as the government of India has proposed in the recent talks with Sri Lanka in New Delhi, is to gain time to complete these efforts If the government of India is hoping through these manoeuvres to consolidate a quisling Tamil government in northern Sri Lanka, it is most unlikely to succeed For in the charged atmosphere after two years of military operations by the Indian army, proximity to the Indian authorities and the backing of the Indian troops cannot amount to much less than the kiss of death for the EPRLF and its government as far as the sentiments of the Tamil people are concerned

The government of India keeps protesting its commitment to the sovereignty and territorial integrity of Sri Lanka If these protestations have any meaning at all, it should acknowledge that the protection of the Tamils in Sri Lanka and the working out of an acceptable arrangement for devolution of powers to the provincial government in north Sri Lanka are not matters in which India can have any role to play If the agreement signed with the Jayewardene government suggests anything different, that only reflects president Jayewardene's desperate political position at the time and the government of India's short-sighted readiness to try to capitalise on that situation As things are today, by insisting on prolonging the Indian troops' military operations in Sri Lanka the Indian government will not help to secure either the safety of the Tamils or satisfactory devolution of powers What it will achieve is the aggravation of political turmoil in Sri Lanka, pushing the Premadasa government to eventual collapse, for it is clear that president Premadasa can have no hope of controlling the JVP's bloody rebellion in the south so long as the northern part of the country continues to be under the occupation of alien troops Of course, before he finally goes under, Premadasa will no doubt try some desperate measures of his own, such as perhaps taking the issue of the withdrawal of Indian troops to international forums The net effect would be to rupture relations between the two countries

Such then are the consequences of the government of India's insistence on playing the regional gendarme in relation to Sri Lanka But so mesmerised are the prime minister and his advisers with this role and the populist political dividends it is supposedly yielding them within the country that they will not be persuaded to retrace their steps unless public opinion here is mobilised to bring them back to a saner course. Unfortunately, the organised left parties which should have been expected to take the lead in this effort have remained quiescent so far Their inactivity, if not tacit support to the rulers' chauvinist and jingoist schemes, is costing the country dear

POLITICS

In True Colours

THINGS are bad enough with the National Front what with the ongoing tussle between Chandra Sekhar and V P Singh in the Janata Dal and its uneasy relations with the Left on the one hand and the BJP on the other Now to make matters worse each of the two unpredictable satraps from the north and the south -Devi Lal and NTR already known for their [illegible] in their respective states has [illegible] Devi Lal we hear is trying to [illegible] But the damage has already been done The saffron clad actor from the south we believe is still intractable

The Haryana chief minister -a leading light of the National Front proposed some [illegible] to amend the Hindu Succession Act to deny daughters a right to the agricultural property of their parents and instead to allow them to have a share of the property of their in laws The implications are clear The big farmer dominated patriarchal Jat society which is Devi Lal's vote bank by denying their daughters any right to parental property can reduce the division of their land holdings and retain them within their own [illegible] the daughters in law who are supposed to be entitled to a share in the property of their in laws under Devi Lal [illegible] the male in laws can see to it that they do not claim the share or if they [illegible] assert their claims things can be arranged [illegible] way that they can be got rid of Incidentally in Devi Lal's own family sometime ago a daughter in law got killed in mysterious circumstances [illegible] which is still being investigated In Haryana and many parts of the Hindi belt where male oppression of women sanctioned by religious bigotry is the law one can well imagine the pernicious effects of Devi Lal's proposal It is reported however Devi Lal is dropping the proposal presumably faced by the mounting opposition and the fear that it would be used by the Congress(I) against him in the elections But the very fact that such a proposal could be mooted by a National Front leader and his government speaks a lot about the moral norms and beliefs of a politician who is expected to provide an alternative at the centre if voted to power

The scenario in Andhra Pradesh is even more bizarre Here is a state—redolent of the communist led peasant movement of Telengana where the electorate has decided to vote to power a tin god who spends most of his time on Gayatri Maha Yagnas or tantrik rituals to find solutions to the problems faced by his state or by himself in the role of 'Vishwamitra' in his latest film The poor tribal peasants of Andhra Pradesh could not have cared a fig for such buffoonery had they been left to themselves by the state But now NTR has decided to repeal Regulation 1 of 1970 This Regulation prohibits the transfer of land owned by non tribals in the scheduled areas to anyone except to the tribals and to the government The implications of NTR's decision to reverse this should be obvious

The historical context of NTR's proposal is important For years together plainsmen had poured into the tribal areas as merchants middlemen, moneylenders and had managed to appropriate land from the tribals The encroachment of these non tribal people continues According to official statistics till December 31 1987 there were 44 379 cases of unauthorised occupation of 1 89,337 acres of tribal land by non tribals in the scheduled areas Unofficial statistics indicate six lakh acres under the possession of non tribals

One of the reasons why NTR is keen on the repeal of Regulation 1 could be the pressure from the absentee landlords in the tribal areas who because of the increasing threat from the People's War Group and other Marxist Leninist tribal guerillas want to dispose of their land One wonders however who would want to buy the land in these disturbed areas The other reason could be the rising land prices in certain tribal areas because of several development projects

Whether it is a Devi Lal or an NTR if we scratch them the old Adam in them comes out the instinct which in the absence of a yet to be discovered better term can still be defined as what Marx described as class interests

EXTERNAL DEBT

Entering the Big League

THE government persists in the meaningless charade of understating the country's external debt According to a statement by the minister of state for finance B K Gadhvi, in answer to a question in the Lok Sabha last month, India's aggregate external debt at the end of March 1989 was no more than Rs 68,831 crore Converted at current exchange rates this would give a figure of $ 42-43 bn That this is a gross underestimate should be clear from the fact that the OECD's annual review of external debt titled *External Debt Statistics* had placed India's foreign debt outstanding at the end of 1987—that is, 15 months prior to the date for which the figure given to the Lok Sabha by the minister of state for finance supposedly relates—was already $ 50 36 bn Clearly the information provided to parliament by the government is worthless and fully justifies the remark reported to have been made by a former senior official of the Reserve Bank of India at a recent conference on the state of the Indian economy that whereas earlier the government sought to build up 'secret assets' by understating the size of the country's foreign exchange reserves now it was going to great lengths to conceal the true magnitude of the country's external debt and was thus accumulating 'secret liabilities Given the government's refusal to disclose the extent of the country's external debt there is no alternative but to wait for the next volume of the OECD's *External Debt Statistics* to get an idea of how much deeper the country had sunk into external indebtedness at the end of 1988

In the meantime the latest issue of the semi annual report *Statistics on External Indebtedness* put out jointly by the OECD and the Bank of International Settlement Basle has just become available The data presented in this report deal only with bank and trade related non bank external claims The latest report, which claims to incorporate data available up to July 12 1989 puts outstanding external bank claims on India at $ 12 86 bn at the end of 1988 at which level the figure showed a rise of $ 1 46 bn over that at the end of 1987 The relevant earlier issue of the report had put India's outstanding indebtedness to banks at the end of December 1987 at $ 7 60 bn In other words our external debt to banks rose by $ 5 26 bn or by over two thirds in the two years 1987 and 1988

In terms of the size of outstanding debt India is admittedly still only on the fringes of the big league of borrowers from the international commercial banks though in terms of total external debt it is now said to rank third among the LDCs after Brazil and Mexico India's outstanding external debt to banks of $ 12 86 on at the end of 1988 was small beer compared to Brazil's $ 75 89 bn and Mexico's $ 69 41 bn Argentina ($ 35 09 bn), Korea ($ 26 66 bn) Venezuela ($ 25 56 bn), China ($ 23 80 bn) Indonesia ($ 19 78 bn) and Taiwan ($ 16 29 bn) were all still well ahead of India However, it is also significant that in 1988 while the erstwhile heavy borrowers from banks made large net repayments, India was the second largest net borrower from banks among the LDCs India's net borrowings of $ 1 46 bn

in 1988 were second only to those of China which, however, outdistanced us impressively with net borrowings of $ 6 95 bn during the year China in fact boosted its outstanding external debt to banks by nearly 117 per cent between the end of 1986 and 1988, from $ 10 97 bn to $ 23 80 bn India's progress towards joining the club of big borrowers from banks has been less spectacular but nevertheless disconcertingly steady

MINISTEEL PLANTS

Scrap Shortage

THE ministeel plants have been playing a crucial role in bridging the demand supply gap in respect of finished steel products However their performance has been hampered by shortage of melting scrap and its rising prices in the domestic and international markets Domestic availability of scrap is between 2 and 2 5 million tonnes while demand is around 6 million tonnes Thus the ministeel units are required to depend on imports for almost 60 per cent of their requirements of scrap

Traditionally the Metal Scrap Trading Corporation (MSTC) the canalising agency, has been importing scrap from the general currency areas against payment in free foreign exchange However in view of the acute foreign exchange shortage it was decided last year to import scrap also from the rupee payment area Accordingly a protocol was signed with the Soviet Union for supplying 8 lakh tonnes of melting scrap Unfortunately scrap imports from USSR have run into unforeseen difficulties According to reports the Russians do not have at their disposal a sufficient number of ships suitable to carry scrap Bulk carriers of 20 000/25 000 DWT capacity are needed for the purpose The government of India is also not in a position to make available such ships immediately The surface transport ministry is now in the market trying to locate suitable vessels on charter Moreover port problems at both ends have also created supply bottlenecks Consequently though the contract was signed for shipment of 1 lakh tonnes of scrap out of the protocol quantity of 8 lakh tonnes only 5 000 tonnes have arrived so far At this rate, according to S K Agarwala chairman of the Steel Furnace Association of India, total imports from the Soviet Union may not exceed 4 lakh tonnes by March next year He estimates the current year's shortfall in melting scrap at 3 million tonnes Firm import commitments so far are only 1 5 million tonnes and Agarwala has appealed to the government for immediate release of foreign exchange to facilitate import of another 1 5 million tonnes

There is an imperative need to expedite scrap imports so that the working of the ministeel units does not suffer For the foreign exchange cost of importing finished steel will be much more than that of importing scrap The country has been importing between 1 3 and 1 4 million tonnes of finished steel every year since 1986 87

There are now 173 ministeel plants in the country with a total licensed capacity of 5 4 million tonnes Of these 166 are in operation and they produced 27 lakh tonnes of steel products in 1988 89 Letters of intent have been issued for additional 2 78 million tonne capacity Moreover, a notification was issued in February allowing existing ministeel plants to expand up to 150 per cent of their current capacities Recently the government has also announced a sharp increase in the minimum economic capacity (MEC) of ministeel plants manufacturing steel through the electric arc furnace route and those engaged in the production of cold rolled steel strips and sheet The revised MEC for ministeel plants producing steel in arc furnaces has been trebled to 1 5 lakh tonnes per annum from the present level of 50 000 tonnes

It is evident that the demand for melting scrap would rise substantially once the existing units expand their capacities and the new capacity covered by letters of intent already issued materialises True efforts are also being made to increase the availability of sponge iron by licensing new capacities Even so since sponge iron is only a partial substitute for melting scrap there is no escape from augmenting the supplies of scrap through higher imports at least in the near future

LABOUR

Laws Ignored

Bharat Dogra writes

THE imposing roadside mansions including a luxury restaurant on the stretch of Delhi's ever busy Ring Road around the Shalimar Bagh bus stop give the impression of prosperity Turn to the road towards the railway crossing and you will see shop after shop of glittering steel utensils This is Wazirpur, a big centre of steel utensil manufacture Move into one of the roadside lanes however, and you will come face to face with the stark reality of a huge, sprawling industrial slum

Here there are huge piles of iron and steel scrap (or scrap-like sheets) and cart-pullers carrying these sheets on their ramshackle carts And there are the sheds where these sheets undergo numerous industrial processes before emerging as the glittering steel utensils that decorate the shops There are children with their bodies and faces blackened in the process of polishing the utensils Women inhale toxic fumes as they work with acidic solutions And if it is one of those bad days which are becoming quite frequent, one may also see a profusely bleeding worker, the victim of an industrial accident, being rushed to one of the medical shops that pass as nursing homes

The predominant feature of the Wazirpur steel units is the unauthorised or illegal nature of most of the work Most of the units are unregistered and are functioning in premises which were meant to house some other units It follows that numerous other transactions, from taxes to electricity connections, are also illegal But the area where this flouting of laws causes the maximum human suffering is the wholesale violation of labour laws

The worker here toils for a 12-hour work day If one calculates the wage on an 8 hour work day basis, the overwhelm-

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	Annual Institutions	Annual Individuals
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Air mail		
Pakistan and [illegible]	[illegible]	[illegible]
[illegible]	70	[illegible]
[illegible]	85	[illegible]
South and North America and New Zealand	$ 100	90

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ing majority of the workers do not get the minimum wage despite the fact that the work is extremely tiring and hazardous On the one hand there is the large incidence of accidents caused mainly by flying steel chips hitting the workers like bullets piercing and entering their bodies The risk is most serious for workers employed on the steel rolling machine, known in local parlance as forahi machine

The risk depends on which part of the body is hit and how deep the wound is Several workers have died in such accidents In the month of October 1988 four deaths and over a dozen serious injuries were reported from these factories The lack of proper medicine for these victims results in avoidable complications and even deaths Regularly workers are incapacitated as a result of these accidents According to a list prepared by the Delhi General Mazdoor Front and the Mazdoor Kalyan Manch 15 serious accidents causing painful injuries and infirmities were counted during just the 20 days from January 30 to February 18 this year for which they kept records and prepared lists The overwhelming majority of accidents were caused by small steel chips released in the course of the work at enormous speed which pierce the workers bodies Some accidents were caused by workers hands getting caught in uncovered machines The list includes only those cases which come to the notice of the trade unions In addition the workers say there are several cases of accidents which do not come to notice as these are hushed up with the collusion of factory owners and nursing homes

Alarming is the working conditions are it is extremely difficult to organise the workers for the redressal of the manifold problems and injustices they face in their daily working lives In the absence of any initiative from the labour department or any other government agency to help them the odds are heavily against the workers in any struggle to assert their rights Past experience tells them that they can expect hardly any help from the labour officials and the police will almost certainly side with the factory owners

While the poor workers can be easily starved out the factory owners most of whom are involved in only one of the numerous processes and can easily give their work for the time being to other factory owners or can afford to close their factories for some time This is why it is extremely important for senior labour officials to assert themselves and intervene to check this gross violation not only of labour laws but also of basic human values right in the heart of the capital city

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For the past some years this Centre has been engaged in studies on ethnic conflicts and violence population dynamics development of border areas and technological perspectives for the industrialisation of the Northern Region These studies are multi disciplinary and inter disciplinary in approach and involve extensive fieldwork as well as collection and analysis of the necessary secondary data Also included in the studies is a programme of providing training to junior research staff in research methodology and for award of M Phil and Ph D Degree by arrangement with the Punjab and Punjabi Universities

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WEST ASIA

New Factors

THE latest exhibition of Israeli machismo—officially described as an anti-terrorist operation—has indubitably contributed to magnifying the crisis in West Asia Moral considerations apart, Israel's kidnapping of the Shia cleric Sheik Abdul Karim Obeid, the Imam of Jibsheet, was certainly an ill-judged move Equally injudicious was its timing for it came just when post-Khomeini Iran's moderation held out at least some hope for Lebanon

Israeli commandos abducted Obeid who belongs to the Hizbollah (Party of God), from South Lebanon on July 28 In retaliation the Organisation of the Oppressed of the World, which is a part of Hizbollah, hanged an American hostage William Higgins Higgins was supposedly an officer in the UN peace keeping force though it is possible that he was engaged in espionage, as his killers claim The Revolutionary Justice Organisation another affiliate of the Hizbollah threatened to kill another US hostage Joseph Cicippio His killing has since been deferred and Israel, seeing in the stay of the execution a vindication of its act and a confirmation of its tactical wisdom has not yet stopped congratulating itself

Israel has offered to release Obeid and other Lebanese Shias held as prisoners at Al Hiam, a prison in the South Lebanon security zone, in exchange for the 17 western hostages and three Israelis currently being held by Shia fundamentalist groups The Revolutionary Justice Organisation has, on the other hand offered Cicippio's release on the condition that Israel release Obeid, 150 prisoners belonging to different factions of Islamic resistance organisations in Lebanon and 300 Palestinians arrested during the *intifada*, besides permitting the return of deported Palestinians to occupied territories

In sharp contrast to Israel's characteristic myopia, the American response has been refreshingly uncharacteristic. The current administration's circumspection is certainly a welcome change from the brash rhetoric and reckless adventurism of the Reagan administration It has, so far, refrained from military action, despite pressure from jingoistic right-wing elements intent on revenge and 'justice' Equally promising is the new attitude towards Israeli terrorism Whereas in the past the west glossed over Israeli crimes in west Asia, reserving its denunciations for the Arabs the recent crisis has provoked an unprecedented attack on the abduction How far this phenomenon is linked to the delicate position of the 17 western hostages, whose lives have been endangered by Israeli action remains to be seen Recidivism most certainly cannot be ruled out

The Arab world has almost uniformly condemned the hanging of Higgins, with even Syria, which backs the Lebanese Shias, joining in Iran, whose influence with the Lebanese Muslims is quite powerful, has gone so far as to offer mediation although the interior minister, Ali Akbar Mohtashemi, has adopted a hard line anti-US stand

While hostage-taking has been a traditional political pastime in west Asia, being an inseparable part of diplomatic negotiations as an instrument for improving bargaining positions, the recent incidents may have been governed by a new set of factors within an altered environment in the region The killing of the American hostage may perhaps have been an attempt at sabotaging the improving US Iran relations under Rafsanjani's regime for fear that improved relations could imply reduced support for Shia fundamentalist groups Likewise the timing of the Israeli action points to certain possible motives

There is no reason to believe that Israel's objective does not go beyond the official claim that the kidnapping was undertaken to secure the release of Israeli prisoners The three Israelis have been captive in Lebanon for a few years Besides the kidnapping was planned at least two months before it was actually carried out One hypothesis is that the hard line Hizbollah was losing ground to Nabih Berri's moderate Islamic Amal in South Lebanon and the abduction was a tactical move to circumscribe the Hizbollah's activities even further by removing one of its top leaders However the authoritative claim that Obeid is not a powerful force within the Hizbollah militates against such reasoning

Another possibility is that Israel, whose martyr image in the west has suffered a decline following its brutal handling of the *intifada*, particularly after the Palestine Liberation Organisations' renunciation of violence, may have been motivated by the desire to reverse this tendency The rationale in this case would be to ignite a resurgence of anti-Arab feelings in the west by provoking the Lebanese into killing one of the hostages This would dilute anti-Israel criticism besides legitimising Israeli crimes against Palestinians Defence minister Yitzhak Rabin's statement that all possible responses, including the one that was eventuated, were considered, would seem to confirm this motive Engineering ethnic mistrust underlies such a play Such motivations are not beyond a state whose foundation is ethnic fanaticism

TWENTY YEARS AGO

EPW, August 9, 1969

Concessions under duress have to be made warily, for, the danger is that they might not fetch any returns Days after the jute mill workers' strike has begun, the Indian Jute Mills Association is in the process of using this paralysis of a major exporting industry to exact those concessions in excise and export duties on which it had been consistently turned down in the past months Leading financiers who are leading members of IJMA have resources not only to publish pious self selling ads in Calcutta's newspapers but also to secure the intervention of none less than the prime minister to obtain their compromise offer of an interim relief It would be indeed a bitter irony if in the latest round of give and take between industry and government afforded by the workers strike the workers case is by default sold down the river Their charter of demands includes a minimum wage of Rs 264 as against Rs 142 per month, redress for the badli workers who are perpetually temporary and an eight per cent bonus Since in practice duty concessions will no doubt be linked to wage increases there is likely to be a tendency to scale down these demands There may yet be a case judging by the experience of the more efficient of the mills to considerably lower the export and or excise duties on jute goods But the onus is once again going to be on the central government to ensure first that workers' demands are met in relation to the real and potential strength of the industry and second, that a significant part of duty concessions is spent on modernisation and raw material programming

* * *

The DMK in Tamil Nadu is trying to give its public image a face lift The rift at the top of the party between Karunanidhi and Nedunchezhian which came into the open in the battle for succession after Annadurai's death, has been seemingly patched up But no amount of face lift can cover the major weakness of the DMK which is that it has had nothing to offer by way of new policies over what had been achieved by twenty years of Congress rule The expectation that as a party of the socially under privileged it will bring forward some radical programmes has been completely belied It has failed even to extend its cheap rice scheme– one of its major election promises– beyond Madras and Coimbatore cities because it chickened out of taking the necessary procurement measures On the non ideological plane, it has been unable to maintain the momentum of industrial development built up during Congress rule

STATISTICS

Index Numbers of Wholesale Prices (1981 82 = 100)	Weight	Latest Week (22 7 89)	Over Last Month	Over Last Year	Over March 25 1989	In 88 89	In 87 88	In 86 87	In 85 86
			Variation (per cent)						
All Commodities	100 0	163 2	1 0	5 6	NA	6 3	5 3	5 7	7 1
Primary Articles	NA	163 7	1 4	0 4	NA	4 8	5 2	2 0	4 8
Food Articles	NA	184 9	1 8	2 9	NA	9 1	6 6	6 8	6 4
Non food Articles	NA	157 9	0 8	4 2	NA	6 7	6 4	10 2	2 3
Fuel Power Light and Lubricants	NA	155 9	0 2	3 9	NA	5 2	6 8	11 9	2 6
Manufactured Products	NA	164 7	0 9	9 0	NA	7 9	4 9	7 2	6 0

Cost of Living Index	Base	Latest Month	Over Last Month	Over Last Year	Over March 1988	In 87 88	In 86 87	In 85 86	In 84 85
			Variation (per cent)						
For Industrial Workers	1960 100	518[1]	0 6	5 6	0 6	9 1	5 8	6 5	6 4
For Urban Non Manual Employees	1984 85 100	138[1]	0 7	0	0	9 6	7 9	7 9	5 1
For Agricultural Labourers	July 60 to June 61 100	739[1]	0 3	12 5	12 3	9 5	4 5	4 5	0 2

Money and Banking		Latest Week (30 6 89)	Over Last Month	Over Last Year	Over March 24 1989	In 88 89	In 87 88	In 86 87	In 85 86
			Variation (per cent in brackets)						
Money Supply (M 1)		3 01 183	1 588 (0 8)	25 993 (14 5)	9 951 (5 2)	27 225 (16 1)	22 027 (15 7)	22 295 (18 8)	14 423 (13 9)
Net Bank Credit to Government Sector	Rs crore	1 05 251	1 112	10 023	8 436	12 738	12 811	12 776	6 555
Bank Credit to Commercial Sector	Rs crore	1 29 832	1 221	19 759	5 766	18 752	12 389	11 294	10 963
Net Foreign Exch Assets of Banking Sector	Rs crore	61 1	548	2 173	64	637	673	1 314	13
Deposits of Scheduled Commercial Banks	Rs crore	1 47 143	2 485 (1 7)	19 826 (15 6)	713 (5 5)	21 385 (18 1)	15 321 (14 9)	17 320 (20 3)	13 160 (18 2)
Foreign Exchange Assets**	Rs crore	6 0 5	496 (8 9)	693 (12 9)	233 (3 7)	530	505	604	+ 197

Index Numbers of Industrial Production (1980 81 = 100)	Weights	Latest Month (March) 1989	Averages for* 1988 89	1987 88	In 1988 89	In 1987 88	In 1986 87	In 1985 86
					Variation (per cent)			
General Index	100 0	208 1	181 0	166 3	8 8	3	9 1	8 6
Basic Industries	39 4					5 6	9 2	6 5
Capital Goods Industries	16 4					16 0	18 7	10 6
Intermediate Goods Industries	20 5					4 7	4 4	7 5
Consumer Goods Industries	23 6					7 4	7 1	12 5
Durable Goods	2 6					6	18 9	18 7
Non Durable Goods	21 0					7 4	4 9	11 5

Note The index number of industrial production by use based classification are not available beyond March 1987

Foreign Trade	Unit	Latest Month (Feb 89)	Cumulative for* 1988 89	1987 88	1986 87	1985 86	1984 85	1983 84	1982 83
Exports	Rs crore	1 883	17 876	14 033	15 719 (25 1)	12 569 (15 4)	10 895 (7 2)	11 744 (20 7)	9 771 (11 0)
Imports	Rs crore	2 303	25 366	20 256	22 343 (10 6)	20 201 (2 8)	19 655 (14 7)	17 1 4 (8 2)	15 831 (10 8)
Balance of Trade	Rs crore	42 1	7 490	6 223	6 624	7 632	8 63	5 390	6 060

Employment Exchange Statistics	Unit	Latest Month (Jan 89)	Cumulative for* 1989	1988	1988	1987	1986	1985	1984
Number of Applicants on Live Registers (at end of period)	Thousand	30 195	30 195	30 019	30 050 (0 7)	30 247 (0 4)	30 131 (0 4)	26 270 (0 4)	24 861 (7 9)
Number of Registrations	Thousand	514	514	469	6 028 (10 3)	5 465 (0 2)	5 473 (6 0)	5 824 (6 4)	6 220 (- 8 0)
Number of Vacancies Notified	Thousand	40	40	45	542 (12 7)	621 (0 8)	616 (10 0)	683 (3 4)	707 (15 5)
Number of Placements	Thousand	26	26	35	340 (5 6)	360 (1 1)	356 (8 2)	388 (- 4 7)	407 (16 3)

Income	Unit	1987 88@	1986 87	1985 86	1984 85	1983 84	1982 83	1981 82	1980 81
Gross Domestic Product (current prices)	Rs crore	2 93 306	2 60 680	2 33 305	2 06 732	1 86 406	1 58 851	1 42 876	1 22 226
Gross Domestic Product (1980 81 prices)	Rs crore	1 70 363	1 64 441	1 56 083	1 48 955	1 44 391	1 33 830	1 29 776	1 22 226
Per Capita Income (1980 81 prices)	Rupees	1 918	1 892	1 836	1 791	1 781	1 687	1 686	1 627

* For current year upto latest month for which data are available and for corresponding period of last year

** Excluding gold and SDRs + Upto latest month for which data are available

+ + Provisional data @ Quick estimates

Notes (1) Superscript numeral denotes month to which figure relates e g superscript[1] indicates that the figure is for January and so on

(2) Figures in brackets denote percentage variation over previous period

TATA UNISYS

Accent on Software Development

TATA UNISYS has commenced work at NOIDA Export Processing Zone near New Delhi where it plans to instal a 2200/400 and a 6000/50 computer system to give impetus to its plans to broaden its software expertise and offerings. This will also help to widen the company's export base. The computer consultancy division has executed several new turnkey projects at SEEPZ and abroad. The management's emphasis on packaged product marketing (Sinbank and Lissdeal software packages) and on turnkey projects should yield increased revenues in the near future. The division has also moved into higher value added markets such as CAD/CAM software. A major innovation has been the setting up of centres in India dedicated to software development for customers abroad. A beginning has been made in this area with the centres set up at SEEPZ Bombay for rendering software development services to Banque Indo Suez and Unisys CAD/CAM International.

The company has turned in good results for the 15 month period ended March 31 last. Sales have amounted to Rs 41.81 crore against Rs 25.94 crore in the previous 12 months and yielded a gross profit of Rs 5.29 crore against Rs 3.62 crore. Net profit is Rs 2.45 crore against Rs 1.55 crore. The directors have recommended a dividend of 27.5 per cent as against 22 per cent previously. The distribution is covered 2.02 times against 1.62 times.

Sales of B25 Super Micro Computers were made to some prestigious customers such as National Airport Authority, American President Lines, Bennett Coleman and Deutsche Bank which together with certain smaller accounts resulted in sales of 188 B25s valued at Rs 3.20 crore. A large export order was procured from Yugoslavia for B25 Super Micro Computer Systems. The company is planning to introduce an expanded range of micro processor products to be manufactured at its factory in Goa. It is also widened its imported systems offerings considerably consequent upon the Sperry Burroughs merger. The company has arranged direct licensing of microsoft products to several large original equipment manufacturers in the personal computer market, which should yield significant revenues in the future. The company achieved foreign exchange earnings equivalent to Rs 35.75 crore during the period, whereas its imports of raw materials sub assemblies and components capital goods and stores and spare parts were equivalant to Rs 1.30 crore and its expenditure on overseas business expenses etc came to Rs 12.08 crore.

DEEPAK FERTILISERS

Expansion Projects on Schedule

DEEPAK FERTILISERS AND PETROCHEMICALS has made satisfactory progress in implementing its projects for the manufacture of amonium nitrophosphate fertiliser, nitric acid, explosive grade ammonium nitrate and methanol. These projects estimated to cost Rs 346 crore are expected to be completed between October 1990 and March 1991. The company issued convertible debentures of Rs 218.50 crore to raise a part of the finance required for these projects. It is simultaneously

The Week's Companies *(Rs Lakh)*

		Tata Unis		Deepak Fertilisers		Finolex Cables		EGP	
		Latest Year 31.6.89	Last Year 31.1.88	Latest Year 31.3.89	Last Year 31.3.88	Latest Year 31.3.89	Last Year 30.11.88	Latest Year 31.3.89	Last Year 31.3.88
Paid up Capital		438	8	1633	1633	324	180	490	490
Reserves		509	36	1111	706	3080	1516	759	583
Borrowings		806	833	15561	3639	1914	816	480	460
of which term borrowings		253	251	14969	1153	1453	719	173	174
Gross fixed assets		986	76	6876	6536	3537	1903	1589	1540
Net fixed assets		348	18	5979	4162	2528	1078	492	504
Investment		416	5	4106	220	1803	511	-	
Current liabilities		1128	939	2145	595	1782	964	358	360
Current assets		2117	2125	10365	2492	2769	1858	1413	1303
stocks		261	56	806	884	1163	948	702	615
Book debts		1119	989	1504	1414	940	703	455	450
Net sales		4181	2594	4884	4602	10624	5746	2239	2024
Other income		29	5	231	224	593	290	95	78
Raw material costs		367	144	1773	1864	6514	342	486	426
Wages		737	551	163	180	293	167	499	466
Interest		138	110	475	670	337	228	75	64
Gross profit (+) loss (-)		529	362	1624	1351	2913	1569	428	417
Depreciation provision		191	17	772	518	341	257	70	78
Tax provision		96	30	158	84	670	465	93	139
Net profit (+) loss (-)		242	15	694	449	1902	847	265	200
Investment allowance reserve				200	200	300	15		
Transfer to reserves		122	9	205		1508	60	177	122
Dividend									
Amount	P			22	28				
	I	120	96	267	249	194	72	88	78
Rate (per cent)	P			15	15				
	I	27.50	22	15	18	60	40	18	16
Cover (times)		2.02	1.62	2.51	1.70	9.80	11.76	3.01	2.56
Ratios (per cent)									
Gross profit/sales		12.65	13.95	35.66	29.87	27.42	27.30	19.03	20.60
Net profit/capital employed		25.55	19.37	25.29	19.19	55.87	49.94	21.22	18.64
Inventories/sales		6.24	26.86	17.70	19.21	10.95	16.50	31.21	30.38
Wages/sales		17.63	21.24	3.58	3.91	2.76	2.91	22.19	23.02

* 15 months, ** 16 months

implementing an energy saving retrofit scheme for its ammonia plant which is scheduled for completion by end 1990 and is d[illegible] to effect a reduction in the overall energy consumption by about 10 per cent [illegible] company proposal to manufacture [illegible] in house [illegible] awaiting [illegible] hour [illegible] ented to [illegible] LPD liquid [illegible] have [illegible] applications and [illegible] short supply [illegible] ended March [illegible] sale of [illegible] and 24 per cent [illegible] the previous [illegible] The company [illegible] profit of Rs 16 24 crore [illegible] crore in the [illegible] following sales of [illegible] Rs 46 02 crore Net [illegible] against Rs 4 49 [illegible] dividend of 18 [illegible] 51 times by earning [illegible] previously [illegible] refund [illegible] amount of the gas price [illegible] price already paid [illegible] for fertiliser use [illegible] use [illegible] the notification of the [illegible] of Rs 1 400 by the [illegible] policy effective January 30 [illegible]

FINOLEX CABLES

Diversification Programme

FINOLEX CABLES [illegible] started production [illegible] an industrially backward area of Maharashtra. The factory is provided with the latest machinery for [illegible] filled telephone cable in [illegible] as well as in higher pairage. The company has signed a technical collaboration agreement with Norddeutsche Seekabel Werke, West Germany for manufacture of high tech special submersible cable. Equipment for fluoropolymer insulated cables is under installation and production is expected to start shortly. The company has also applied for a licence to manufacture chlorine, caustic soda and soda ash which products will have a growing market. The objects clause in the company's memorandum has been amended to cover the diversification programme in the area of chemicals and petrochemicals.

Meanwhile the company has fared very well during the 16 month period ended March 31 last with increase in turnover and profits. Margins have also looked up in spite of steep rise in prices of principal raw materials copper and aluminium. The weakening of the rupee along with its consequent effect on import duty also added to the rising cost burden. Mild price increases wherever possible, helped to maintain the tempo of progress and profitability. Turnover amounted to Rs 106 24 crore against Rs 57 46 crore in the preceding 12 months and gross profit was Rs 29 13 crore against Rs 15 69 crore. Net profit came to Rs 19 02 crore compared to Rs 8 47 crore of 1986 87. The directors have recommended a final dividend of 40 per cent making a total of 60 per cent for the period on the capital expanded by a four for five bonus issue. Last year the company had paid a dividend of 40 per cent. The distribution is covered 9 80 times by earnings as against 11 76 times previously.

The company's exports went up from about Rs 0 8 million in 1987 to over Rs 3 6 million. New export markets were explored and for the first time shipments were made to the USSR and telecom cables were exported to Zambia. Efforts to explore new markets continue. Expenditure in foreign currencies amounted to Rs 8 4 million.

EGP

Pressure on Margins

EGP has performed satisfactorily during 1988 89 although it had to contend with difficult trading conditions due to the excess capacity of glass wool in the domestic insulation trade. There was continuous pressure on margins of escalation of costs and reduced margins. Production and sales however, increased in continuous filament product groups, with an optimum utilisation of capacity in the Thane factory. Several steps have been initiated to rationalise products and improve productivity.

The company has earned a gross profit of Rs 4 28 crore against Rs 4 17 crore in the previous year on a turnover of Rs 22 49 crore against Rs 20 24 crore. With both depreciation and taxation requiring lower provisions, net profit is Rs 2 65 crore (Rs 2 crore). Equity dividend has been raised by 2 points to 18 per cent which is covered 3 01 times by earnings as against 2 56 times previously. The company achieved exports of Rs 1 52 crore. Value of company's imports calculated on CIF basis was equivalent to about Rs 84 lakh and amount remitted in foreign exchange on account of dividend was Rs 23 lakh.

The company has signed an agreement with Owners Corning Fiberglas Corporation USA for upgrading technology for continuous filament products under the foreign collaboration scheme. Initial steps have been taken to assimilate the technology package by a planned R and D programme. Continuous progress has been maintained in R and D activities which includes glass reinforced cement components for telecommunications and irrigation.

New from SAGE Publishers of the Professional Social Sciences

TRADE AND ECONOMIC DEVELOPMENT

India, Pakistan and Bangladesh

KRISHNALEKHA SOOD

Krishnalekha Sood's study is particularly welcome as it offers both the general reader and the specialist a broad picture of the foreign trade of India, Pakistan and Bangladesh. [It] is [illegible] pical

Gilbert Etienne (from the Foreword)

Developing countries struggling to overcome the negative impact on their economies of the colonial period now face the pressures of neo-colonialism which primarily take the form of protectionist policies adopted by the economically developed nations. Given this context one of the major areas that developing countries have to explore is the possibility of economic cooperation amongst themselves. The author studies these developments in international economic relations through a detailed examination of three South Asian countries - India, Bangladesh and Pakistan.

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Pasupati Acrylon

PASUPATI ACRYLON is making a public issue of 108 lakh equity shares of Rs 10 each at par aggregating Rs 10 80 crore The company has reserved 5 lakh shares each for preferential allotment to UTI and Canbank Mutual Fund and 22 8 lakh shares for preferential allotment to NRIs The company is putting up a plant to manufacture 12 000 tpa of acrylic fibre at Thakurdwara in UP in collaboration with SNIA BPD of the Fiat group Pasupati Acrylon has been promoted by Mukesh Jain and the Pradeshiya Industrial and Investment Corporation of Uttar Pradesh (PICUP) is participating in the project with a share of 11 per cent in the equity capital The capital outlay on the project is estimated at Rs 100 4 crore and is being financed through promoters equity of Rs 20 1 crore public equity of Rs 10 8 crore term loans of Rs 48 5 crore and suppliers credit of Rs 21 1 crore The company has estimated a turnover of Rs 73 crore for the first year of operation at which level it expects a net profit of Rs 17 26 crore giving an earning per share of Rs 5 60 The company has already applied for enhancing its capacity to 20 000 tpa

The public issue opens on August 21 for NRIs and on August 28 for the Indian public

Western India Industries

WESTERN INDIA INDUSTRIES is entering the capital market with a public issue of 10 75 lakh equity shares of Rs 10 each at a premium of Rs 7 50 per share Out of the issue 1 lakh shares are reserved for firm allotment to SBI Mutual Fund Trustees, SBI Capital Markets and 53 750 shares are reserved for preferential allotment to employees (including Indian working directors) of the company The object of the issue is to finance the acquisition of fixed assets and to augment the company's long term working capital resources A sum of Rs 1 95 crore is proposed to be invested in fixed assets Western India Industries specialises in the execution of turnkey engineering projects in the field of fire protection water engineering and pollution control In fire and safety systems the company is associated with Total Walther of the Krupp group of West Germany The company currently has orders in hand worth Rs 52 crore including Rs 29 crore worth of exports/deemed exports The company's total income for the 18 month period ended March 31 1989 was Rs 19 11 crore compared to Rs 11 19 crore in the preceding 12 month period The company declared a dividend of 37 5 per cent for the latest 18 month period compared to 20 per cent for the preceding 12 months The company's net worth has risen from Rs 102 58 lakh as on September 30 1988 to Rs 275 11 lakh at the end of March 1989 Earning per share has gone up from Rs 2 83 in the year ended September 30 1988 to Rs 8 28 in the 18 month to March 31 1989 BOI Finance and PNB Capital Services are the lead managers of the issue which opens on August 8

SPCL

SUMITRA PHARMACEUTICALS AND CHEMICALS (SPCL) is making a public issue of 50 80 lakh equity shares of Rs 10 each at par aggregating Rs 3 05 crore Out of the issue 12 32 lakh shares are being offered for preferential allotment to NRIs on repatriation basis Two lakh shares are being offered for preferential allotment to SBI Capital Markets and 2 07 100 shares to employees (including Indian working directors) of the company SPCL has been licensed to manufacture 2 000 tpa of ibuprofen and 800 tpa of mebendazole The company is setting up a plant to produce initially 300 tpa of ibuprofen and 80 tpa of mebendazole The plant is coming up in Medak district in Andhra Pradesh a notified backward area SPCL is among the first to have adopted the single plant concept in the pharmaceuticals industry which will enable it to manufacture not only ibuprofen and mebendazole but also a whole range of essential drugs

The project is estimated to cost Rs 6 15 crore and will be financed through promoters contribution to equity (Rs 1 0 crore) public issue of shares (Rs 3 05 crore) and term loans (Rs 2 crore) Civil construction and erection of machinery are expected to be completed by November 1989 and commercial production to begin by the end of December The main promoters of the company are Ramesh Jain who will be the managing director B D Jain and Suresh Kumar The public issue is managed by SBI Capital Market PNB Capital Services Canbank Financial Services and State Bank of Hyderabad The issue will open on August 24 for NRIs and on August 28 for the Indian public

Lakshmi Motor Credit

LAKSHMI MOTOR CREDIT is entering the market with a public issue of 18 lakh equity shares of Rs 10 each at par for a total of Rs 180 lakh Out of the issue 1 lakh shares have been reserved for preferential allotment to the employees (including Indian working directors) of the company The proceeds of the issue will be used to finance a major expansion in the company's business, particularly in the field of hire purchase and leasing The expanded capital base of the company as a result of the public issue will significantly enhance its borrowing power The company is diversifying into financing of office automation and appliances besides substantial expansion of its existing financing business in regard to two wheelers The company belongs to the TVS group The company's gross stock on hire rose from Rs 610 23 lakh as on April 30 1988 to Rs 749 23 lakh as on March 31 1989 and its leased assets from Rs 6 24 lakh to Rs 31 65 lakh Its profit after tax was Rs 16 [illegible] lakh for the 11 month period ending March 31 1989 compared to Rs 11 81 lakh for the preceding 12 month period and it proposes to declare a dividend of 15 per cent for the latest 11 month period compared to 12 per cent for the preceding 12 month period The issue opens on August 21 and is managed by SBI Capital Market and Champaklal Investment and Financial Consultancy

Kartar Glass Works

KARTAR GLASS WORKS is making a public issue of 11 80 lakh equity shares of Rs 10 each at par for a total of Rs 118 lakh Out of the issue 1 31 lakh shares have been reserved for preferential allotment to the employees (including Indian working directors) of the company The company is setting up a project for manufacturing figured and wired glass at Kullewal in Hoshiarpur district in Punjab The cost of the project has been estimated at Rs 721 lakh and is being financed through promoters equity (Rs 70 50 lakh) equity participation by Punjab State Industrial Development Corporation (Rs 3 50 lakh) term loans from all India financial institutions (Rs 444 lakh) central subsidy (Rs 15 lakh) and the proceeds of the proposed public issue (Rs 118 lakh) Construction of the project is complete and plant and machinery are under installation Demand for figured and wired glass is expanding rapidly for use in commercial, industrial and residential multi storeyed complexes and in the hotel industry The project has been promoted by Amar Singh and his associates of the S K Glass group jointly with the PSIDC Technical know how is being provided by C V Chidam Consultants Madras The company has plans of diversifying into manufacture of sheet glass for which it has secured the government's permission Industrial Finance Corporation of India and Punjab and Sind Bank are managers to the issue which will open on August 23

Bourgeois Liberalisation Times

GPD

The rhetoric currently being employed in some socialist states would suggest that the free inflow of capital is not as dangerous as a free newspaper. No wonder American ideas are so dominant everywhere, for that is a typical American idea.

WE live in bourgeois liberalisation times. These are dark times. You open windows but all kinds of insects make their way in. The trouble with these insects is that some of them are or tend to be counter revolutionary rebels. One of the curious effects of bourgeois liberalisation is that the distinction between socialism and capitalism disappears. Windows let the insects in. They also let in a whole flood of private capital. Those who know how to tackle this situation have decided that they will let American capital in but will keep American ideas out. The Americans had never achieved the glory that they have today. All ideas of freedom and democracy are supposed to be American. One would have thought bourgeois freedom would not be a dirty word at least in this year of the bicentennial of the French Revolution. The older books talked of socialist freedom as a higher term of freedom. Higher and lower forms of freedom can have different scope. A higher form of freedom would make much greater space available for discourse and exercise of freedom. A lower form of freedom would be narrower, constricted. The lower form may appear to be freedom incarnate but in reality it is not so. It may well be a form of repressive tolerance. One has to see its limited, narrow character and move to a higher form of freedom.

But then can you deduce from this that the lower form is antagonistic to the higher? Or that asking for a lower form of freedom makes movement to a higher form impossible? The rhetoric currently being employed in some socialist states would suggest that free flow of capital is not as dangerous as a free newspaper. No wonder American ideas are so dominant everywhere. For that is a typical American idea. The free world is where there is free enterprise and free flow of capital. A free press is not necessarily part of the notion of freedom, either high or low. This is the reason South Africa is a part of the free world. So is South Korea and so was Zia's Pakistan and Marcos' Philippines. The only difference is that the argument of those who govern these countries never was that they were building capitalism *because* they wanted to build socialism. Some people are however saying that they are letting a whole lot of insects as also capital come in because they are wanting to build socialism. It is possible to argue that the words are not altogether meaningless. A grammarian of ancient India said *saktam padam*: the word is powerful. The more controlled it is, the more powerful it is. So if any given leadership uses the word 'socialism' it would logically follow that what it is doing is *ipso facto* right and justified. This was the reason why Nehru said that he was building a socialistic pattern of society. This was also the reason why Indira Gandhi said she wanted to fight poverty. This is perhaps the reason why her not so illustrious son is talking of socialism, secularism and democracy. Deng Xiaoping is doing the same in China. Once you say that, the path to absolute power is clear.

Yet we live in bourgeois liberalisation times. In these times it is perhaps not very desirable to be banning newspapers. Nevertheless, there was one news item which evoked a mixed reaction in our heart. It is the news that Cuba has banned *Moscow News*. Normally banning anything does not help. More Muslims in India got to know, in summary fashion, maybe, the contents of *The Satanic Verses* because the book was banned. Had it not been banned nobody, that is only a handful, would have actually read the book. Indo Anglian writing is a craze, but it is usually limited to books on the Raj and on the rather boring world of the NRIs. *The Satanic Verses* did not quite fit the bill. Even Shahabuddin has not read it. So banning a book (or a newspaper) is a way of making the book almost as temptating as a pornographic book. It then becomes a status symbol to get hold of the book. Pornography does not have that status. Anyway, the Cuban ban on *Moscow News* was therefore a bit of a surprise. Yet one felt that here at last was a symbolic act, an act symbolic of protest against whatever has been happening in the socialist world in the name of socialism.

It is possible to look at the Cuban ban on *Moscow News* from two different perspectives. As an act of banning a magazine it is bound to evoke a mixed response. It would be interesting to know how Indian socialists react to a socialist state banning a magazine from another socialist state. It is not going to be easy taking a more Stalinist than thou attitude in this regard. Because it would then be incumbent upon our socialists to stop reading *Moscow News* (they cannot obviously ban it). If they do not support Castro in his action it would imply their endorsement of *Moscow News* and its editorial policy. Of course they can keep quiet on the question. They can ignore the Cuban indictment of perestroika and glasnost as they have done in the past. For some socialists life is indeed a bed of roses. The Soviets, in their view, are building socialism. So are the Chinese. So are the East Germans. And, naturally the Cubans are not behind in any way. So the orthodoxy in country A and the liberalisation in country B are all contributing to the great socialist community of the future. It is capitalism which is in crisis. Socialism is as hale and hearty as one could imagine. God is in heaven and all is well with the socialist world (till such time as the succeeding leadership disowns its predecessor's view of socialism, but that is another matter!).

Yet the overall feeling one got was one of unhappiness that *Moscow News* had been banned in Havana. *Moscow News* may not be good socialism but it is interesting journalism. Imagine the socialists in China. They are studying Deng Xiaoping's June 8 speech for a few hours everyday. In addition almost every provincial paper is reproducing the speeches of the mayor of Beijing and the like. We are not for one moment suggesting that city mayors in China do not know their classics (whichever ones they are). But they are not necessarily exciting speakers. After all the principle of *reeti* (style) cannot be brushed aside with contempt. *Moscow News* is evidence that Soviet journalism is coming of age. At any rate present-day Soviet journalists write in better style than mayors in China do. A socialist in China or in Cuba should be forgiven if he felt that *Moscow News* was more readable than the speeches of socialist mayors in China. They would have certainly asked for the removal of the ban (in Cuba) or for non reprinting of the speeches (in China). If they don't do so it is because they know the hazards of living in bourgeois liberalisation times.

Delhi, the Imperial City

Arun Ghosh

Unlike other towns and cities of this country Delhi does not have to worry about where the money for its civic amenities comes from There are some 800 million Indians to pay the cost of maintaining the nations show piece

All daily newspapers published from Delhi (dateline, July 12) have a quarter page advertisement announcing that H K L Bhagat union minister would be inaugurating the third of the twenty new flyovers to be constructed in Delhi to ease the traffic problem Discussions are also under way about a metro rail system (in part underground) to ease the traffic problem of Delhi a mega plan for the National capital region, covering areas currently as far away as Najafgarh in the west Ballabhgarh and Pataudi in the south, Ghaziabad in the east and Sonepat in the north, plans are near final to ensure that the increasing number of citizens of Delhi are assured of every urban amenity and water is hereafter to be conveyed from the Ganga—apparently the waters of the Yamuna and the Hindon have long been fully utilised, and even the deep tubewells have exhausted groundwater availability—and augmented power supply would be made available by UP Haryana and Punjab

One cannot deny that the Delhi citizen is pampered And why not? After all, the parliamentarians spend most of their time in Delhi and most chief ministers (of Congress ruled states) and some governors maintain residential bungalows in Delhi at great expense So Delhi must have an adequacy of water supply the supply of subsidised milk, subsidised power, subsidised transport and all other civic amenities The area served by the New Delhi municipal committee—where the elite live—must get about the cheapest power and water supply in the world, as well as the lowest local property rates (certainly in India, if not throughout the world)

These general advantages of Delhi are well known And those who have had an opportunity to visit Delhi must have been impressed with its wide (and generally impeccable) streets, beautified pavements and carefully nurtured gardens and lawns, the number of luxury cars driven at great speed, swanky shopping arcades and widely stocked shops, and after sunset, an efficient street lighting system with halogen (or sodium vapour) lamps

What is not known generally is that to maintain this beautiful face of Delhi, the rest of the country has to foot a hefty bill After all, if the prosperous citizens of Delhi were to maintain the available civic amenities by paying for them one would have no quarrel But herein lies the essence of the problem Unlike other towns and cities of this country, Delhi does not have to worry about where the money for its civic amenities comes from There is a famous saying in Bengali "You need funds? They will be provided by Gouri Sen (meaning, the government, leastwise, somebody else) So it is with Delhi You need to beautify Delhi? Why there are some 800 million Indians to pay the cost after all the nation's capital must be a showpiece

Consider the following figures of the total revenue and expenditure of 24 states during 1988 89, as given in the *Report on Currency and Finance* for 1987 88 (published by the Reserve Bank of India) The RBI does not for some reason mention the figures for Tripura, elsewhere in the report the RBI does indicate that during 1988 89 the approved plan outlay for the state of Tripura was Rs 143 crore (against Rs 710 crore for Delhi) So one can assume that Tripura's total budgetary expenditure would be considerably less than that of Delhi, and if so, out of 25 states Delhi would be seen to have a higher total budgetary outlay than as many as nine states

Admittedly some of the states are small But consider the population figures (as given by the 1981 census) and the capital outlay incurred by the different states and by Delhi, for it is through capital expenditure that we would be focusing on future growth (and thereby attracting the movement of workers and their families) Delhi with a (1981) population of 6 2 million provided Rs 676 crore for capital expenditure in 1988 89 Assam (with an *estimated* population of 19 9 million by the way Assam did not have a census count in 1981) could only provide Rs 609 crore Haryana with a population of 12 9 million only Rs 471 crore Jammu and Kashmir with a population of 6 0 million provided Rs 445 crore Kerala with as many as 25 5 million could manage no more than Rs 477 crore Orissa with a population of 26 million provided only Rs 672 crore And though large states like Karnataka, Rajasthan Tamil Nadu and West Bengal—with 1981 population of 37 1 million, 34 3 million 48 4 million and 54 5 million respectively provided more than Delhi did

TABLE BUDGETARY EXPENDITURE OF STATES 1988 1989
(Budgetary Estimates)

(Rs crore)

	Revenue Expenditure	Capital Expenditure	Total Expenditure	Total (overall) Deficit ( )
1 Andhra Pradesh	4078 5	908 4	4986 9	149 7
2 Arunachal Pradesh	215 6	108 8	324 4	(+) 37 2
3 Assam	1402 4	609 3	2011 7	41 5
4 Bihar	2964 7	1391 8	4356 5	6 5
5 Goa	200 0	116 0	316 0	27 3
6 Gujarat	3141 2	986 8	4128 0	343 5
7 Haryana	1350 0	471 2	1821 2	33 2
8 Himachal Pradesh	608 5	197 1	805 6	4 4
9 Jammu & Kashmir	867 7	445 2	1312 9	(+) 2 9
10 Karnataka	3106 3	917 3	4023 6	209 0
11 Kerala	1942 6	477 4	2420 0	20 5
12 Madhya Pradesh	3361 2	1125 8	4487 0	53 1
13 Maharashtra	6239 8	1705 4	7945 2	(+) 14 7
14 Manipur	231 9	107 8	339 7	(+) 16 3
15 Meghalaya	230 3	111 7	342 0	6 8
16 Mizoram	237 6	62 6	300 2	(+) 28 4
17 Nagaland	307 5	101 9	409 4	(+) 2 0
18 Orissa	1615 9	671 7	2287 6	(+) 1 0
19 Punjab	1785 2	1094 7	2879 9	0 3
20 Rajasthan	2361 1	777 4	3138 5	132 2
21 Sikkim	103 5	49 4	152 9	3 7
22 Tamil Nadu	3405 3	758 7	4163 0	123 0
23 Uttar Pradesh	5733 7	1810 8	7544 5	22 5
24 West Bengal	3317 5	804 7	4122 2	(+) 221 2
Delhi (RE)	558 0	676 1	1234 1	

Source RBI *Currency and Finance Report* 1987 88 vol I pp 289 291
GoI *Demands for Grants of Central Government* 1989 90 p 97

for capital outlays (Rs 917 crore, Rs 777 crore, Rs 759 crore and Rs 80 crore respectively) these provisions were [illegible] marginally higher than for Delhi, though [illegible] of the other states has a population [illegible] times that of Delhi. Take the [illegible] West Bengal with [illegible] Delhi and [illegible] other state with [illegible] Rs 505 [illegible] Delhi. [illegible]

I am [illegible] expenditure of Delhi [illegible] become the need [illegible] take note [illegible] including [illegible] Himachal [illegible] only a [illegible] 6,000 [illegible] against 1,500 [illegible] most difficult [illegible] (Lahaul Spiti [illegible] totally inaccessible [illegible] month. And Himachal [illegible] with a population [illegible] 1981) planned to provide [illegible] Rs 19 [illegible] capital outlay [illegible] Rs 6 [illegible] by Delhi (for a population [illegible] million).

But let us not [illegible] our love to expenditure alone, [illegible] the revenue for these expenditures. So let us see how much of the total outlay of Delhi is paid for by Delhi citizens. Here the figures are difficult to extract from central government receipts. Note the [illegible] in the Demand for Grants for Delhi (Demand No 90) the recoveries which are treated as deduction in the budget to [illegible] of expenditure approved [illegible] to be no more than Rs 54 crore during 1988-89 (RE).

The central taxes collected and reimbursed to states also need to be taken into account. The total share of direct taxes payable to union territories (Delhi, Andaman and Nicobar Islands, Dadra and Nagar Haveli, Lakshadweep, Chandigarh and Daman and Diu) was Rs 88 crore in 1988-89. Likewise, the share of central excise payable to union territories was Rs 32 crore. That makes a total of Rs 90 crore of which let us assume half was payable to Delhi (which is one out of six UTs, though admittedly the most important and prosperous). So something like Rs 45 crore would be Delhi's share of central taxes distributed to states.

Between recoveries and the share of central taxes, the Delhi revenue would be Rs 99 crore (or say, round Rs 100 crore) in 1988-89. In that year Delhi had a total budgetary outlay of Rs 1,234 crore. Admittedly purely local taxes by way of local sales tax and property tax would also be collected but then it is by no means clear that these revenues are not used up by the Delhi municipal corporation which has a separate budget of its own. It appears that Demand No 90 pertains to direct expenditures incurred plus subventions given by the centre, for Delhi.

It would therefore appear that something like Rs 1,034 crore was provided during 1988-89 from the central government budget towards the current and capital expenditure of the Delhi administration. This appears to be over and above the sales and property taxes raised within Delhi for otherwise these receipts would have figured under recoveries in the Demand No 90 in the central budget.

But this does not exhaust the subsidy given to the citizens of Delhi by taxpayers from the rest of the country. The department of energy provides for the subsidy required for running the Badarpur thermal power station (which is one of the sources of power supply for Delhi) and for 1988-89 this subsidy (after taking note of Badarpur's receipts) came to Rs 157 crore. The net subsidy to the Delhi milk scheme (provided by the department of agriculture) was Rs 20 crore. One does not know how much of the outlay on Operation Flood (mother dairy milk supply) amounting to Rs 99 crore was for Delhi citizens. The non plan loan to the Delhi Transport Corporation (to cover its operating losses) came to Rs 50 crore, another Rs 20 crore was provided (by the ministry of surface transport) as plan loan, presumably for the acquisition of new buses. There would be many similar subsidies to be found in the budgets of different departments/ministries of the central government intended for Delhi citizens. Not counting the [illegible] that is counting only the subsidy provided for the Badarpur power station, the DMS and the DTC, central subsidies amounted to Rs 227 crore, with another Rs 20 crore provided to the DTC for capital expenditure, making a total of Rs 247 crore. Thus the total cost to the rest of the nation for maintaining and improving Delhi was a minimum of Rs 1,352 crore. If the subsidies from central departments other than the three specifically mentioned are added, the total would surely exceed Rs 1,500 crore for 1988-89. And this total has been rising.

It has at any rate been possible to identify Rs 1,352 crore (comprising Rs 1,234 under Demand No 90 plus Rs 99 crore as recoveries and share of central taxes) plus Rs 247 crore in respect of only three units (the Badarpur power station, the Delhi milk scheme and the Delhi Transport Corporation) which is clearly financed by the rest of India for the convenience, comfort, indeed a high quality of life for Delhi citizens. Assuming the current population of Delhi to be eight million, this works out at some Rs 1,730 per capita per annum. This is considerably more than the total transfer of resources by way of taxes, duties and grants in aid—as per the Eighth Finance Commission recommendations—to all states other than Nagaland during the five year period of the plan (see L S Gulati (ed) Centre States Budgetary Transfers).

Of course, it is necessary to spend money to keep a nation's capital in reasonably good shape. For this purpose large funds are spent by the CPWD (out of the budget for the ministry of works, is also now the ministry of urban development), as well as other authorities. These outlays have not been reckoned in the calculations given above. I have been concerned only with the transfer of funds to maintain and improve Delhi, and the subsidy provided for Delhi's electricity and milk supply and Delhi's metropolitan road transportation system.

But as a beneficiary of this central munificence, I find perfectly good roads resurfaced annually (in the areas frequented by VIPs), pavements dug up and beautified, dug up again and rebeautified, municipal property taxes brought down—yes, brought *down* rather than raised—when expenditures to maintain civic amenities and services in Delhi are steadily rising. (Incidentally the electricity, water and property rates in the New Delhi municipal area are significantly lower than in the area administered by the Delhi municipal corporation). This situation is clearly something of an anomaly in a country where poverty alleviation is stated to be the first priority of the government.

But then, who is to question these developments when our honourable members of parliament are themselves anxious to increase the amenities available to Delhi citizens, even though they are supposed to visit Delhi only for purposes of parliamentary deliberations?

A final word. Successive emperors have made Delhi the capital city of their empires, and many have built their own cities and related edifices. There are, so the historian certifies, as many as 18 capital cities of Delhi built at different stages. Most of them have vanished, the empires have crumbled. Should we not draw a lesson from the past? The rate at which Delhi is expanding, water shortage may, in the not too distant future, force many to abandon Delhi. In any case, why should the rest of India pay for tapping the waters of the Ganga to meet the needs of the pampered citizens of Delhi?

Economic and Political Weekly,

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Telling the World about Human Rights in India

A G Noorani

The Attorney-General's report to the Human Rights Committee was long on the letter of the Constitution and deplorably short on the actual state of human rights in India The ministry of welfare's new brochure is another such attempt at disinformation

THE Attorney General K Parasaran had received quite a grilling a few years ago when he tried to fob off the members of the Human Rights Committee set up under the International Covenant on Social and Political Rights with a skimpy report which was long on the letter of the Constitution and deplorably short on the actual state of human rights in India The members of the committee to his discomfiture had been thoroughly briefed and posed questions which reflected their awareness of the realities Now we have another such attempt at what can only be called disinformation

To commemorate the 40th anniversary of the Universal Declaration of Human Rights the ministry of welfare of the government of India has published a brochure entitled *India Marches Ahead towards Greater Attainment of Human Rights* If you read it you would not suspect that our country's otherwise good record on human rights is gravely tarnished by police torture which is a norm by custodial deaths which are not so rare by TADA by preventive detention by a host of statutes which curb freedom of speech and by rampant abuse of extra constitutional power to intimidate the press- witness *The Statesman* and *Indian Post* cases

In his message with which the brochure begins president R Venkataraman rightly observes that development and economic growth improvement in the quality of life and the standard of living can be meaningful *only when they are accompanied by the protection of these human rights* (emphasis added) The secretary to the ministry S S Varma strikes the same note India has strongly emphasised that there is no choice between political liberty economic development and social justice

There follows in page after page a summary of constitutional and statutory provisions with of course claims of adherence to them in practice Sample this prize piece 'The question of cruelty to prisoners is dealt with specifically by the Prisons Act If any excesses are committed on a prisoner the prison administration is held responsible for them ' How often has this been done pray But read on Any excesses committed on prisoners by the police or jail authorities not only attract the attention of the legislators but that of the judiciary as well" True, the judiciary has been an enormous help But not all cases even reach its doors How many legislators take interest in these matters? And why is the pre not mentioned at all? Quite often the judges have acted on the basis of exposures in the press and hauled up the authorities

Next have a look at another sample of falsehood blatant and shameless The prisoners in *alleged* (sic) custody are extended humane treatment *Indian jails provide prisoners with basic amenities and facilities for their rehabilitation* (emphasis added) The brochure does not mention in the section on Protection of Life and Personal Liberty (pp 6 7) the permissible ambit of the law of preventive detention in Article 22 of the Constitution Indeed this blot on our democratic system is itself mentioned *only incidentally* The scope of Article 21 (the guarantee of personal liberty) is so wide that even the law of preventive detention covered by Article 22 has to be in conformity with it This is a disgraceful half truth For Article 22 permits so explicitly departure from the right to personal liberty that the right becomes almost meaningless in the face of the open sanction for imprisonment without trial

Meanwhile on July 19 1989 Amnesty International published yet another documented report on India which is entitled *Some Recent Reports of Disappearances* It has called on the government to clarify reports of even disappearances that took place during 1987 and 1988 The victims include Puran Singh Shyam Singh Veer Singh and Tilak Ram who were reportedly arrested on April 10 1987 in Uttar Pradesh as ordinary criminal suspects Three others were political activists who were arrested in mid January 1988 on suspicion of involvement in political violence Amnesty received eye witness reports of these seven being taken away by police officers some of them in plain clothes

The report is a constructive and by no means denunciatory document It contains this very fair acknowledgement It is to be emphasised that disappearances are not frequently reported in India Its concern is that the few cases that have occurred do not set a trend

The report contains useful references to international efforts to stamp out the vice of 'disappearances It ends with the following suggestions which deserve ready acceptance

> That the government institute speedy, impartial and independent investigations into cases of disappearances including the seven listed in this report and inform the relatives of the findings without delay Those carrying out the investigations should have powers to enforce attendance and co operation of witnesses to have the means to protect them and to make investigations on the spot and to obtain the records of law enforcement and security agents suspected of involvement in the case In those cases where an independent inquiry has already been ordered to investigate cases of disappearance —such as the cases which occurred two years ago in Meerut Uttar Pradesh the dozens of findings of the inquiry should be published in full and without delay

This recommendation is in line with the urgent request by the United Nations General Assembly to governments to hold such inquiries in all cases of disappearance' The report further recommends

> That the government ensure that in all cases where there is evidence that police or other member of the security forces were involved in or responsible for disappearance they be prosecuted under the ordinary proceedings of criminal law

> That the government order that fair and adequate compensation be paid to the relatives of those who must be reasonably assumed disappeared because of the committed by the security force

In the case of a dozen of muslim men who disappeared from Meerut the Indian government has already ordered compensation to the relatives although so far it has not acknowledged that its security forces were responsible for their disappearance' and secret killing But in the seven other cases described in this report no such compensation has yet been given

The report also suggests

> That the government ensure that all arrests and detentions are promptly acknowledged by those carrying out the arrests who should be obliged to identify themselves That the government also ensure that the family of an arrested person is immediately informed of an arrest the reason for the arrest and the place where the arrested person is held and that the be notified on any subsequent transfer

> That the government establish or maintain public and up dated registers in all Indian states of all persons held in police stations, prisons or other detention centres including the place where they are kept The lists should be up to date and be available to family members lawyers magistrates and other interested bodies

The importance of keeping detailed records of all arrested persons has also been stressed in the Body of Principles for the Protection of all Persons under Any Form of Detention or Imprisonment adopted by the UN General Assembly in 1988

Mayhem in Devlia

Indranil Chakrabarti

Natabha was stoned to death, a huge boulder smashing his head His elder brother succumbed to injuries the same day The principal accused, sheltered by no less a person than the taluka panchayat pramukh, was arrested six days after the mayhem, and, in all probability, will be released soon

CHOTILA block in the Surendranagar district of Gujarat is locally known as the Panchal area It is fabled that Draupadi was the princess of this region which is the origin of her other name, Panchali Last month while the nation watched B R Chopra's version of Panchali's 'swayamvar' on Doordarshan the area of Panchal itself was in the throes of a grisly drama On May 20 1989 two brothers from the Gadhvi community were brutalised in broad daylight in the Devlia village of Chotila for the singular crime of digging a well on their own land

Studies on Gujarat tend to divide the state into four well marked natural regions (1) the flat plains of the mainland extending from Daman in the south to Kutch and Abu in the north (2) the highland region of north eastern Gujarat (3) the crescent shaped Kutch of mainly desert and waste land and (4) the rocky peninsular Saurashtra With an average altitude between 75 150 metres and alternating with alluvial river basins Saurashtra consists of coastal land inland plains and central highland Surendranagar the landlocked northern district of Saurashtra itself manifests considerable variations in its topography There is the plateau in the north which connects Saurashtra with mainland Gujarat the low lying water covered portion in the east called Nalkantha the black soil Bhal region in the centre and the Chotila (Panchal) area surrounded by hills on all sides where most of the rivers of Saurashtra originate

Surendranagar as indeed all of Saurashtra was not part of the British India What today constitutes Surendranagar then comprised as many as 18 feudatory states the smallest of which had only three villages and an area of less than 50 square kilometres Only in 1948 were these constituted into a district which within the then state of Saurashtra Subsequently this district along with the other districts of Saurashtra merged into Bombay state in November, 1956 After the bifurcation of the composite state of Bombay, it finally became part of the Gujarat state in May 1960

Despite these and other changes in many ways time has stood still in Surendranagar as in so many other parts of the country, through the millenniums It is by appreciating these continuities and changes that one can make sense of the happenings here, such as the ghastly killings in Devlia

An old Gujarati proverb says that Panchal used to be mainly a grass land and the productivity of the soil was low This holds true even today Pastoral cattle raising and dry land cultivation are still the principal economic activities of Chotila as indeed of the district of Surendranagar as a whole No doubt there is some well and canal irrigation and cash crops like cotton and oilseeds are grown just as there are a few industries viz ceramics and pharmaceuticals But the gains from these have not reached the common people Nor have they succeeded in bringing any dynamism to the economy or the society at large

The Darbars have been the traditional rulers of this region In fact even after the British left India this district was officially called Jhalawad i e, the domain of the Jhalas because Jhala is the most prevalent surname amongst the dominant Darbars in the district Darbars continue to rule the district though there have been some changes in the form in keeping with the changes in the larger polity

One only needs to cast a glance at the list of the key political functionaries of Surendranagar—the MP from the district is a Darbar majority of the MLAs from the non reserved constituencies are to be Darbars, the president of the district panchayat is a Darbar, a majority of the taluka panchayats are controlled by Darbars even the headship of the various institutions in the district, be it the district co operative bank, or, the district sale and purchase union, are held by the Darbars

Economic clout is linked with the political Some of the exploits of the ruling Darbars are legend One such worthy is Balabhadra Singh Jhala The local grapevine has it that his total landholdings would be upwards of 1900 bighas To this one may add another 1000 bighas of 'vid' or pasture land He himself however lives in Surendranagar town where he is the president of the District Education Committee; this puts him directly in charge of the 500-odd schools in Surendranagar, which include such responsibilities as appointments and transfers of teachers, admission and promotion of students, etc Even an uneducated peasant in Surendranagar knows how these may be converted into economic and political capital

Or take Kanubha Parmar who besides other things is also a contractor for public constructions He holds the rare distinction of building a check dam four times in the last six years It is said that on one of these occasions, for no fault of his, the dam was built somewhat stronger than the usual Poor Kanubha Parmar had to actually use explosives to bring the dam down Of course he was promptly granted the contract to build it again This same Kanubha lost the last panchayat election of Muli taluka to a Koli In the panchayat office itself Kanubha got him beaten up so badly that both his legs were broken Threatened to death the hapless incumbent resigned the next day Kanubha since then has been the panchavat pramukh of Muli

Or take Surubha the nagar panchayat pramukh of Thangarh He owns several illegal quarries in the same town mining coal and fireclay Besides this he collects a personal levy from every vegetable vendor who might come from the villages At times this amounts to the poor farmer's entire earning of the day Were a hapless poor peasant unable to pay Surbha's men would forcibly empty his 'topla' on the street

Most of Gujarat reeled under severe drought for several years Surendranagar which has traditionally been a low rainfall area was the worst affected It was the only district in Gujarat and amongst the only four in the whole of India which had all its blocks declared as drought prone Where rainfed agriculture and cattle grazing still constitute the primary productive activities the effect of such scourges of nature on the lives of the people need no elaboration Horrendous stories of suffering of humans and cattle would regularly appear in even the national press which otherwise remain virtually oblivious to these places

No doubt there was considerable central and state assistance for relief But the mighty have a knack of profiteering even more out of a calamity To cite the instance of the same Balabhadra Singh Jhala he was in charge of one of the scores of cattle camps set up in this region to save the bovine population from dying for want of water and fodder The government provided relief at the rate of Rs 3 per cattle per day While Balabhadra Singh Jhala showed records for upwards of 8,000 cattle, taluka people say that the actual number entertained would never exceed 3,500

Thus this worthy on whom the responsibility for the education of the entire district is vested, would have made easily anything between Rs 15,000 to Rs 20,000 per day from one cattle camp alone. Add to this the clout gained through what is wont to be perceived as personal patronage. Of course this is not unique to Balabhadra Singh or for that matter to even Surendranagar Corruption

in cattle camps and other relief works was for long the favourite stick of the opposition parties, as well as the Congress(I) dissidents, to beat the resilient Amarsingh Choudhury's ministry

With the ruling Darbars gravitating to the taluka, district and still higher levels, there is a vacuum at the village level which is increasingly being filled by lumpen elements Indeed lumpenisation is an integral aspect of such a political economy The economy which has remained static for ages, can hardly accommodate the subsistence needs of the growing population Leave alone the craving for higher standards from the exposures to lavish lifestyles through the media and otherwise Unless more productively harnessed this is bound to lead the more militant to lumpency, which in fact is patronised and nurtured by the ruling elements to retain and entrench their political and economic might

Naturally such a situation would be bloodied with skirmishes and feuds and indeed that is the case in not only Surendranagar but also other parts of Saurashtra In many ways, what happened in Devlia is part of this same reality

EVENTS IN DEVLIA

The Aga Khan Rural Support Programme (AKRSP) a voluntary organisation within the fold of the multinational Aga Khan Foundation under the patronage of the Imam of the Shia Ismaili Muslim sect has been active in the Chotila block of Surendranagar district for sometime Headed by the erstwhile secretary to the ministry of agriculture and rural development Gujarat Anil C Shah, AKRSP proclaims itself to be a 'catalyst for rural development in India Typically it would take up activities like minor irrigation watersheds afforestation etc, in selected villages In the drought year of 1986 AKRSP initiated the renovation of the existing percolation tank in Rupavati village, adjoining Devlia through the government's drought-prone area programme (DPAP) The objective was to provide immediate employment to the drought-stricken people, as well as to help raise the water level in the wells in these villages The work was completed by the summer of 1988 and with the good rains that year possibilities of well irrigation were bright

From the beginning, the Gadhvis, a peasant caste, which constitute only about half a dozen of the 30-odd families in Devlia were enthusiastic about AKRSP's activities But this also incurred the wrath of a section of the Bharwars, a militant caste traditionally engaged in cattle rearing and grazing One such family was that of Khengar and his father Bhura

Even during the renovation work, there was some antagonism over the sacking of Khengar from the chowkidar's post because of his alleged pilferages But the real rub came when their monopoly over the irrigation canal system came to be questioned Khengar and Bhura would demand and receive an illicit personal tax from the villagers, for every watering from the canal This was over and above what the users would need to pay to the irrigation department The Gadhvis refused to pay this extortion sum in 1988

Then came the panchayat elections in February 1989, where Jaganag, another Bharwar, was the leading candidate, along with his cronies But the Gadhvis got together with the majority Kolis, another peasant caste, and managed to get four of their candidates elected Jaganag himself was defeated in the contest Now Jaganag, 30, is typical of the new power brokers in these villages He is known to be the henchman of the panchayat president of Chotila taluka Moti Heera who is also the chairman of the milk co-operative union of Surendranagar district Moti Heera is notorious in the area for his illegal quarrying activities and general hooliganism They say in Chotila that his reach extends up to the chief minister Jaganag himself had organised a cattle camp in the drought year of 1987, and made good money, though not on the same scale as his patrons at the taluka and district levels He is also in the other lucrative business of contracting for public construction works

Meanwhile AKRSP found that despite the raised ground water level because of the renovated percolation tank and a good monsoon most villagers were so cash starved that they could not derive any benefits They had no money to dig wells to tap the ground water table, nor, for good quality seeds and other inputs Of the 30 village co-operative societies in Chotila, which are supposed to provide credit to farmers as many as 29 are defunct This is partly because of the severe drought, owing to which farmers could not pay back any loan especially, since 1982 But the main reason is that most of the farmers were victims of manipulation by the presidents and secretaries of the societies who took advantage of the illiteracy of the farmers Being defaulters, banks would not lend them any money either The only alternative is the private moneylender, who of course charges usurious interest rates as high as 120 per cent

Therefore AKRSP introduced its credit scheme, whereby, groups of at least five farmers could take loans from them, with the obligation that each one of them should repay before the next season to be eligible for fresh loans In Devlia village, a group, comprising predominantly the Gadhvis, came forward to dig a well for irrigation

Jaganag demanded a sum of Rs 5,000 for himself before they dug wells on their lands He also personally went to AKRSP's local office at Chotila town with the warning that the consequences of their 'development' activities could be serious Hardly equipped to deal with such threats the local office could only send a detailed note to Anil Shah at the Ahmedabad head office describing the tension that AKRSP's activities could cause in the village, along with personal sketches of Jaganag and a few other 'dadas' Based on this Anil Shah sent a note to the district collector at Surendranagar The Gadhvis did not pay Jaganag his personal levy Instead, they went ahead with their well, and on May 19 actually found water at the nominal depth of 14 metres

The reprisal was quick to come. The next afternoon as these Gadhvis started for home for food they were ambushed twice with murderous assault Nathabha, 24, was thrown inside a well only 200 metres away from the one where they had struck water the previous day He was then stoned to death by the Bharwars, standing at the top of the well Jaganag himself delivered the fatal blow with a huge boulder, which smashed Nathabha's head beyond recognition The killing party included Khengar and Bhura from Rupawati Nathabha's elder brother Amrabha 27, died the same day from the kulhari (axe) and lathi (stick) blows in his head and other parts of the body Their father Jethabha, is still critical at the Rajkot hospital The others were recuperating from injuries of various degrees

The principal accused Jaganag, sheltered by no less a person than the taluka panchayat pramukh, Moti Heera could be apprehended only six days after the mayhem Indeed, when two days after the incident the district collector along with Anil Shah, visited Chotila one of the first persons to meet them was Moti Heera with Jaganag in tow The terror in Devlia village, and especially among the six Gadhvi families each one of whom has at least one victim from the assault can be gauged from the fact that the only person who was prepared to give a statement against the murderers was ten year old Nanben, a cousin of the two brothers who were killed Apprehension

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1	Name and address of the applicant	**LARSEN & TOUBRO LIMITED** Registered Office L & T House Ballard Estate Narottam Morarjee Marg Bombay 400 038
2	Capital structure of the applicant organisation	As on 31 3 89
	Authorised Capital	R 75 00 00 000
	Issued Capital	R 60 74 88 440
	Subscribed Capital	Rs 60 74 88 440
3	Management structure of the applicant organisation indicating the names of the directors including managing directors whole time directors and managers	The company is managed by the managing and whole time Director subject to the supervision and control of the Board of Directors
	Names of directors	
	1 Mr D H Ambani	Chairman
	2 Mr M D Ambani	Vice Chairman
	3 MR U V Rao	Managing Director designated as Chief Executive Officer
	4 Mr S R R Subramanian	Managing Director designated as President
	5 Mr D L Prabhu	Whole time Director designated as Vice President
	6 Mr S P Kasliwal	do
	7 Mr C R Ramakrishnan	do
	8 Mr S D Kulkarni	do
	9 Mr M P Wagh	do
	10 Mr Y H Malegam	Director
	11 Mr R M Gandhi	do
	12 Mr Klaus Henseler	do
	13 Mr A S Gupta	do
	14 Mr S E Dastur	do
	15 Mr S S Marathe	do
	16 Mr S N Shende	do
	17 Mr M L Bhakta	do
	18 Mr A D Ambani	do
	19 Mr N Ganganadhan	do
	20 Mr A Binder Alternate Mr Klaus Henseler	do
4	Indicate whether the proposal relates to the establishment of new undertaking or to the expansion unit division	The proposal relates to the establishment of a new undertaking which will be a part of Larsen & Toubro Limited
5	Location of the new undertaking	Malanpur Growth Centre Tehsil–Gohad District Bhind Madhya Pradesh
6	Capital structure of the proposed undertaking	Same as that of the applicant organisation
7	In case the proposal relates to the production storage, supply distribution marketing or control of any goods articles indicate	
	i) Name of goods/articles	OTS Cans and printed metal containers
	ii) Proposed Licensed Capacity	40 000 tonnes
	iii) Estimated Annual Turnover	Rs 146 Crores
8	In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc	Not applicable
9	Cost of the Project	Rs 55 5 Crores
10	Scheme of Finance indicating the amounts to be raised from each source	Rs Crores
	i) Term loan Debentures Foreign currency loans	37 0
	ii) Internal Generation Equity	18 5
		55 5

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

Sd/
S D KULKARNI
VICE PRESIDENT (FINANCE)

Dated this 7th day of August 1989

about her safety was writ large on her parent's face, and even the DSP, Yadav, the chief investigating officer admitted that this crucial eyewitness was in some danger Though Jaganag has now been finally put behind bars, perhaps because of the not inconsiderable influence that AKRSP wields with the powers that be, the grapevine has it that he will not remain there for long, especially given that this is also the election year

How has the media reported this episode? *Phool Chaap* a Gujarati daily from Rajkot carried it as a routine occurrence in a small snippet In a fight between Charans (gadhvis) and Bharwars two were killed and four injured " *Jai Hind* another Gujarati daily from Rajkot dished out the entire story as a family and caste vendetta against the liaison between Amribha and Jaganag s sister giving juicy details of the relationship and little else None of the dozen and more dailies from Ahmedabad found this gruesome killings in the land of the messiah of non violence even newsworthy

Anil Shah the experienced chief executive of AKRSP is also an occasional columnist His latest piece, Where Angels Fear to Tread' written some days before this incident extols his organisation s credit scheme as introduced in Devlia Contrasting it with the shoddy performance of the government his previous employer it concludes a trifle vainly Perhaps AKRSP is rushing in where the wise planners of our country have not ventured to tread Words which in retrospect sound rather prescient albeit unwitting

To those familiar with Gujarat s development activism the Devlia killings might remind them of the massacre in Golana enacted three years ago on the Republic Day of this sovereign socialist secular democratic republic There it was the Behavioural Science Centre, a Jesuit voluntary organisation which had in all innocuity sought to distribute a little common land to several low caste Wankhars through a government scheme. Four of the Wankhars were gunned down in broad daylight by the dominant Darbars. Of the 21 injured, several have been disabled permanently

The question is whether Golana and Devlia might provide any lesson to the poor and the oppressed of Gujarat and to those genuinely concerned about their upliftment One perhaps is that Gujarat after all might not be so removed from the social fabric of which Karamchedu or Daltonganj are part Also perhaps, that the answer to the plight of the people of Gujarat does not lie in mere managerial and technical inputs to the countryside, no matter how efficient and well intended these efforts might be. Perhaps there is no deliverance for Gujarat until its toiling people heed the clarion call of its most illustrious poet Jhaverchand Meghani—who, incidentally, was born in Chotila—and strive together to usher in a new democratic society of his dreams

Promotion of 'Modern' Technology

A New Tool for Neo-Colonialism

Dinesh Mohan

The acceptance of the ideology of technology leads us to two different kinds of simplistic options One, to move towards recapturing a storied pre-colonial cultural glory shored-up by various obscurantist beliefs And, two, to participate in the game of catching up with the west Most nations in the non-communist third world play a schizophrenic game with both these options together

IS the slogan leap frogging into the 21st century really is apolitical in approach to development as it is made out to be? Will it spur the young people of India into working toward an environment that encourages innovation hard work sacrifice and even dreaming? Where has this new ideology emerged from?

In the colonial period when nations projected their supremacy it was in terms of military might and scientific machismo The military might frightened colonial peoples into submission and the scientific achievements of the oppressors convinced the oppressed of their own innate inferiority As a result the colonised even felt it necessary to explain their religions and rituals in terms more relevant to the religion of their oppressors Christianity In nineteeth century India for example, there were Hindu and Muslim reformers (e g Raja Ram Mohan Roy Vivekanand Syed Ahmed Khan) who found it necessary to rationalise their religions and make them look respectable before western Christian scrutiny So the dominance of the west encompassed all aspects of human thought and action in the early part of this century

Within fifty years however most parts of the world achieved political independence and many newly formed nation states made tremendous efforts to assert their independence and self reliance. The west now had to evolve new ideologies of domination which would appear to be politically neutral The most effective new form of domination they found was technology—technology as an ideology And almost helplessly most of us in the third world have fallen into the trap of conceiving and portraying our goals in terms of new technologies and successes in fundamental research

Technology As An Ideology

Technological development and the directions basic research takes are intricately linked to the self perceptions and goals of a society's influential bourgeoisie. Thus much of the technology developed in the west today must automatically be designed for the middle-classes with a great deal of leisure time on their hands This is the science and technology which we in the third world have come to regard as modern And by extension the evolution of these technologies and research associated with them have now become for us the only tests of any nation s viability for the future Thus we end up measuring our own future prospects purely in terms of our ability to cope with these emerging technologies and our perceptions of their role in the Information Age

The acceptance of this ideology of technology leads us to two different kinds of simplistic options One, to move towards recapturing a storied pre colonial cultural glory shored up by various obscurantist beliefs And two to participate in the game of catching up with the west Most nations in the non communist third world play a schizophrenic game with both these options together

At one level we have a very *real* fear that we will never be able to catch up and this makes us resort to re defining rules of our own which would automatically make us morally superior So we can go Yankee bashing riding our spiritual high horses

> it is as if Fari and the doctor turning away from the life of intellect and endeavour have come together in an Iranian death pact In the emotions of their Shia religion so particular to them they will rediscover their self esteem and wholeness, and be inviolate. They will no longer simply have to follow after others not knowing where the rails are taking them They will no longer have to be last or even second And life will go on Other people in spiritually barren lands will continue to produce the equipment the doctor is proud of possessing and the medical journals he is proud of reading That expectation or others continuing to create, of the alien necessary civilisation going on—is implicit in the act of renunciation and is its great flaw (*Among the Believers* V S Naipaul)

These simplistic notions and obsessions are by no means peculiar to some Iranians The believers need for belonging and their yearning for a purer past are common characteristics of the religious and jingoistic chauvinist groups in India also That is why the decision makers in India have to keep

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INCOME TAX DEPARTMENT

davp 89/56

repeating the need for 'spirituality' when they promote modern technology

Many third world nations are highly plural societies made up of groups with different languages and cultural identities The result of technological insecurity in such societies is to encourage a single dominant group within the society to force its own concept of purity onto the other groups This is certainly one of the many important factors fuelling ethnic tensions in third world nations

On the other hand, when our other self pushes for catching up, then we coin slogans about "leap frogging into the twenty first century On the face of it this slogan gives the impression of being very secular and pushing for a dynamic fast moving society What it really does however is justify and deploy what are extremely non egalitarian forces for change

The initial step in this is making modern synonymous with western We end up defining progress as the acquisition and production of modern goods modern not being what *we* need *tomorrow* but what the west produced *yesterday*

The next step in the process towards increased inequality comes when we apply this perception of modernity in an unequal society to the the task of development Consider the education sector once we have decided that catching up and participation in all the so called emerging or frontier areas of research are our main concerns we have automatically elected to ensure that at least a few citizens in an unequal society be singled out for special treatment This is done by promoting the following

- at least a small number of boys and girls get good' primary and secondary education in expensive schools regardless of what happens to everyone else
- there exist a few elite institutions of higher learning which follow curricula identical to those in the west
- research priorities be set independent of the society s actual productive needs
- education process be long and expensive
- our educational policies follow a triage management style normally reserved for the battle field Specifically (a) only those who can compete with the western intellectuals be given the maximum priority at all levels of education (b) those who can help these contestants be given the basic minimum survival opportunity and (c) those who have no chance of participating in this endeavour be left to fend for themselves

This scenario is not abstract The educational establishment in India has largely functioned along these lines for some time now The fact that so many left to fend for themselves manage to survive speaks volumes for the tenacity and the genius of the abandoned people The recently announced New Education Policy in fact formalises this triage concept by proposing one model school per district (with a population of usually over a million), enhancement of funds for elite institutions and ensuring research in frontier areas'

This also suits local technocrats because only a few of them can become knowledgeable in the specific fields of endeavour and are thus exempted from facing real local challenge or competition The mark of approval for their competence can *only* come from the western centres of knowledge These western judgments in turn naturally get coloured too by the western nations political policies of influence and domination along with their natural feelings of condescension towards the third world So at times, charlatans serving the interests of the foreign masters cannot be taken to task by local critics since greater authorities from the outside come to their defence

These policies also make it possible for mainly the elite of the third world to cross national boundaries in search of professional employment They think of themselves as international beings and have little stake in the success or failure of policies at home

In the final analysis however this mad rush to establish enclaves of excellence based on outsiders definitions and priorities ends up being its own booby trap Since these policies do not involve participation of all people we cannot select the best from our populations So this lopsided selection process ends up ending many intrinsically mediocre and complacent people to our best centres of research and excellence continues to elude us

Unfortunately when we adopt technology as an ideology we also set in motion many other forces detrimental to our societies For example when any local group opposes a large technological project on humanitarian grounds the concerned group can very easily be dismissed as anti progress or even anti national The proposal for setting up a testing range at Balasore in Orissa and the bulldozing of the Narmada Valley Project are good examples of this tendency Similarly the poor and the disadvantaged are now easily viewed as impediments to progress The elite also comes to view any ideology aimed at a more equal income distribution as coming in the way of the acquisition of a few more technological toys A fancy international airport is naturally preferred to a more efficient city bus system Ultimately because the poor are seen as obstacles to modernity even they can be as anti national'

More alarmingly the poor are often not all that ethnically neutral in old composite societies The poor in many societies are also members of minority communities This ethnic angle to poverty makes it fairly easy for a dominant community to label the minorities, as communities as anti science and anti progress Thus technology as an ideology also gives the majority a secular whip to hit the minorities

In the preceding paragraphs I have tried to analyse how the pursuit of technology as an ideology in fact influences political and socio economic directions for our societies I have also argued that in the name of technology a non egalitarian political direction is taken without an overt statement to that effect

Role of the Youth

In my interaction with young people around the country over the past few years I get the feeling that they are suffering a tremendous loss of hope There is little sense of pride in anything we do now All pride is in a mythical past This certainly cannot be blamed on them It is my impression that this has happened because science is being sold as a commodity and not viewed as a part of our process intricately linked with the social and cultural movements of our civilisation Secondly we keep setting our goals and aspirations to achieve targets set by those in the west instead of aiming for things which are doable and appear to be obviously for the good of the majority in this country This automatically makes people lose hope and be certain of failure

When our leaders talk about science and technology they project inventions and end products and the media highlight sexy new concerns of the west like AIDS superconductors test tube babies genetic engineering etc This attitude has filtered down to the young In a national essay competition for high school students one of the topics given was Science is Fun' While evaluating the entries it was astonishing to find that almost no one talked of science as a process as a way of thinking Almost all the boys and girls used the word 'science' interchangeably with computers videos, Boeing 747s satellites and nuclear weapons! On further thought one realised that these young people were only reflecting the attitudes of our present leaders in India A remark by the minister justifying the brain drain from India as establishing brain bank abroad gives a signal to the young that electing to work in their own country is not given any importance now

The Future

It is the understanding of the process of science and technology which has been completely subverted in India especially in the past seven or eight years Every one knows that good novels are not written just by collecting the most difficult and newest words from a dictionary and then ordering a linguist to arrange them well But this is the method our leaders have chosen to promote science and technology in India Select the latest problem and concerns of the west, buy the expensive foreign equipment that goes with them identify top ranking' professionals arrange foreign collaborations and then command them to do 'good' science in frontier' areas

By giving science and technology this

value free exalted position and by behaving as if this had nothing to do with political biases and social distortions the people in power are trying to put themselves beyond democratic control If science is presented to the people as a purely technical matter without any social or political implications there need be no public discussion of scientific and technological policy decisions Free enterprise and *laissez faire* policies can be ushered in much more easily It is therefore not surprising that a large number of the seniormost policy makers in India today are either ex employees of organisations like the World Bank and the IMF or have very close associations with them

If third world societies want to survive with self respect and if we want to move towards more human systems we have to expose the *political* nature of these so called technological policies In addition we should be able to design and propose alternative political ideologies and socio economic systems which are based on clearly stated human goals and not on the acquisition of technological artefacts

To achieve this alternative society we have to think of different electoral processes which ensure representation but reduce the influences of powerful lobbies like large business houses and multinational corporations on the electoral processes These systems will have to move away from the idealised concept of two political parties and homogeneous populations The new political structures and ideologies would have to build in systems which automatically reduce the influence of the dominant power centres around the world

It is possible that as we move towards these newer structures we may be able to deal with *uncertainty* more confidently and not depend on solutions taken from the west We have to realise that some of our traditional ways of understanding reality are just too slow and we may not be left with any choice to make unless we use all possible tools of thought to design and shape our future

We have to discover newer ways of doing things and producing things so that we can exchange goods with each other on more equal terms To do this we have to design working systems for scientists which suit our cultures better and allow the average scientist to function more productively We have to realise that political systems which work well in the US tend to reverse their phase when implemented in third world countries That is many systems which function as democratic processes there become oppressive when transplanted here The same could be true for science systems also

It is time to look *inwards* and define the future in non technological terms Once we do this independent science and technology policies may follow more naturally from the non-technological choices we make, and give us an escape hatch from the present determinism exercised on us by technology as an ideology"

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Sowing the Seeds for a 'Biorevolution'

Mahinda Seneviratne

Policy-makers and scientists in the third world can no longer afford to be naive about the political significance of biotechnology and need to pay close and careful attention to the World Bank's initiatives to sow the seeds for a new biorevolution in the third world

SUSAN GEORGE, author of *How the Other Half Dies* recently warned that the new biorevolution in agriculture will be characterised by new and stronger forms of dominance and manipulation than the external controls that dominated the Green Revolution in the past Those who have taken a critical look at the impacts of the Green Revolution upon third world people, have shown how the efforts of the World Bank, the International Centres for Agricultural Research (ICARs) and agencies such as the Rockefeller Foundation facilitated the multinational chemical corporations to be closely linked with the agricultural production chain in the third world

Recent initiatives by the World Bank to bring the new biotechnologies into third world agriculture raise a number of concerns for people in the developing countries Over 100 development policy makers, economists and some third world scientists and representatives from aid agencies and transnational corporations met for a seminar in Canberra in May 1989 Organised by the World Bank and International Services for National Agriculture Research (ISNAR), and supported by the Australian aid agency AIDAB, the gatnering aimed to identify ways to bring advances in biotechnology for application in third world agriculture

Shadow of Privatisation

Biotechnology has many applications that have much potential benefit for agriculture in the developing countries These range from improvements in yield and quality in crops, to genetically manipulating plants so that they resist disease and tolerate various stress and inhospitable environments But the extent of privatisation of the new technological developments looms as a shadow over these prospects The growing ownership of research, development and the resulting products by a few transnational corporations shows a widening web of control by a powerful few

Henk Hobbelink from the Brussels based International Coalition for Development Action (ICDA) has shown the extent of involvement in biotechnology by the world's leading chemical companies like Shell, Monsanto Ciba Geigy and Sandoz He says that 'exactly the same TNCs that already control the pesticide and pharmaceutical market are now the most active in the field of biotechnology Furthermore, all ten leading producers of agrochemicals are also engaged in the seed sector and control 80 per cent of it With their focus on research to develop seeds that are genetically manipulated to tolerate particular pesticides—the company's own that is the link between the paths of research and market control are not difficult to see

The genetic diversity of the large gene pool in the third world has greatly benefited modern crops in the industrialised countries Most of the world's genetic pool come originally from the developing countries and sometimes the economically poorest nations are the richest sources of diverse genetic material For example the world's leading hybrid grain sorghums were derived from native sorghum of Ethiopia and Sudan Today as much as 90 per cent of the genetic resources in the International Bank for Plant Genetic Resources (IBPGR) have come from the third world Of these 40 per cent are in the hands of Europe and North America while another 40 per cent are stored by the ICARs The growing TNC control of the seed sector, worth US$ 13 billion annually, do not allay the fears of the developing countries who have only 15 per cent of their own genetic resources in third world gene banks

Thus it was no surprise that the most contentious issue at the Canberra seminar was Intellectual Property Rights (IPRs) The attempts by the US, EEC and Japan to use economic muscle to trade off the third world's IPRs at recent discussions in the General Agreement on Trade and Tariffs (GATT) and at the World Intellectual Property Organisation (WIPO) affect biotechnology too The lack of adequate patent control legislation in developing countries is often claimed in the arguments, but this, in turn, has not deterred many private corporations and individuals from virtually 'looting' some of the third world's genetic resources for profitable ends

Gateways for Private Sector

The World Bank perceives a passive transfer of some of the currently developed biotechnology applications to the developing countries The ICARs and other leading players of the Green Revolution are destined to take a major role again According to a World Bank consultant, 'the ICARs could be the 'gateways' for the private sector to enter into joint ventures with the least developed countries such as Bolivia, Nepal and Burma" This raises two crucial concerns The extent of control by the TNCs would give them unforeseen power that can only strengthen their corporate interests in these aid-dependent nations Meanwhile most of these countries which lack the basic infrastructure for biotechnology will only be recipients of an unequal transfer

At a time when education services have become a lucrative commodity, much attention is being given to educating and training personnel from the third world in institutes in the developed countries While this is seen is providing an opportunity for the third world countries to develop their own infrastructures over the years one wonders why such enthusiasm by the rich nations was conspicuously absent in recent years During the struggles to establish the International Centre for Genetic Engineering and Biotechnology (ICGEB) for similar purposes by UNIDO, none of the major industrialised countries showed any interest to support third world access to biotechnology capabilities

Joe Gopo of Zimbabwe University pointed out that what the third world needs is acquisition of the biotechnologies and not simply technology transfer This may not be exactly what the World Bank policy makers or the transnational corporation representatives perceive for the developing countries, but fortunately, some scientists and international agencies have already begun to look in that direction

Even if the third world gains adequate access to today's array of biotechnology developments most of them would be inappropriate to their specific needs The history of technology shows that its pathway is often charted to serve the interests and needs of those who own and control it and the biorevolution is no exception Attention was focused in Canberra on the so called 'orphan' commodities such as cassava banana coconut, spices and tropical fruits They form a large part of many third world people's diet but are ignored by the concentration of research on major crops Alan Kerr of Australia's Waite Agriculture Institute said that biotechnology developments that are being applied to these commodities may take from five to ten years but "will be simple and cheap and within the grasp of

many developing nations capabilities—unless of course the TNCs grab them too. A crop scientist from Zimbabwe estimated that the economic benefits to the country from research done to improve a commercial crop cotton alone will be at least $ 20 million annually. That is he believes if the country can develop a local base such that at the end of the day we are not dependant on the goodwill of the private companies.

Impact on Rural Poor

On the other hand some of the crops focused for research by the developed countries will replace some third world nations primary export commodities. This is already becoming evident with the impact of high fructose corn syrup in the sweetner industry on sugarcane producers and the production of natural gum and vanilla beans in US laboratories upon farmers in Sudan and Madagascar respectively. Serious implications await third world producers of cocoa, oil palm and other export crops from developments arising out of tissue culture techniques. The wider social and economic impacts of these are expected to largely affect poor farmers and rural workers in the third world.

Ifthikar Ahmed from the International Labour Organisation (ILO) cites the example of a large scale displacement of predominantly female labour employed for weeding if the TNCs herbicide linked seeds are introduced to third world farms. Such social as well as the environmental impacts of the biorevolution have fortunately been identified early but major players like the World Bank and TNCs have shown little attention to them. This was evident in Canberra where these issues were played down and the absence of participation by grassroots organisations such as farmers unions development groups consumer interests and other relevant third world bodies was conspicuous.

There is a scramble for world markets for agriculture produce between the US EEC and other major producers like Australia and Canada. With the burden of foreign debt getting heavier it is the least developed third world nations that are bound to suffer most. The important role of technology in the new divisions of international labour and emerging trade patterns is well evident. Policy makers as well as scientists in the third world can no longer afford to be naive about the political significance of biotechnology in the next decade. This gives more urgency to why close and careful attention should be given to World Bank initiatives to sow the seeds for a new biorevolution in the Third World.

FORM II A

THE MRTP ACT 1969

[illegible]

[illegible] to be [illegible] ment under [illegible] Trade Practice Act 1969

NOTICE

It is hereby notified for the information of the public that [illegible] DIVISION OF MODIPON LIMITED [illegible] proposes to make an application [illegible] Affairs New Delhi under sub-section [illegible] Trade Practice Act 1969 for approval [illegible]

	[illegible]	[illegible]
	[illegible]	[illegible]
	Authorised [illegible]	[illegible]
	Management structure [illegible]	[illegible]
4	Indicate whether the [illegible]	
	Location of the new undertaking Unit Division	[illegible]
6	Capital structure of the proposed Undertaking	The proposal [illegible]
	In case the proposal relates to the production storage supply distribution marketing or of any goods articles indicate	
	I Name of goods/articles	I Proposed [illegible]
	Textile Auxiliaries	1000 MT per annum
	III Estimated annual turnover	About Rs 4.50 Crores
9	Cost of the project	About Rs [illegible] Crores
10	Scheme of finance indicating the amounts to be raised from each source	Internal resources rupee and foreign currency loans from institutions and debentures deposits

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this notice intimating [illegible] proposal and indicating the nature of his interest therein.

Dated this Fourth day of August 1969

[illegible] GUPTA
SECRETARY

Kamani Tubes: Moving Ahead

B Srinivas

Production of tubes in the month of June was well in excess of the target set by the BIFR scheme 90 tonnes of tubes were produced as against the targeted level of 80 tonnes

A series of developments have taken place in the past six months at Kamani Tubes the first ever sick unit to be taken over by workers All the formalities of takeover having been completed commercial production has started with all work processes in operation recruitment of various cadres completed and different channels of monitoring set up

For workers at Kamani Tubes there is both turmoil and challenge Turmoil to overcome the financial constraints and meet social obligations challenge to contribute their best at work to better the performance of the company and to reap the fruits of their labour It needs to be pointed out that a previous report on Kamani Tubes On the Move (March 25 1989) mentioned that the nationalised banks have volunteered to extend loan facilities to the workers to the tune of Rs 10 000 each to enable them buy the sixty lakh shares of the company But the nationalised banks fixed an interest rate of fifteen per cent per annum The worker co operative felt that the workers would not be able to bear the additional interest burden They approached IDBI for the sanction of either interest free assistance or assistance at a lower rate of interest under its seed capital scheme for contributing to the equity capital IDBI has in principle accepted to grant an assistance of Rs 60 lakh to the workers co operative to enable the members to acquire sixty lakh equity shares of the company at the face value of one rupee each The terms and conditions have been stipulated in a tripartite agreement reached between the workers co operative the company and IDBI

The agreement stipulates that the workers co operative should buy back the equity shares to be subscribed by IDBI in not more than seventy two monthly instalments with an initial moratorium of six months from the date the company employs all six hundred employees The society will have to buy back the shares at a price equal to face value plus simple interest of 11 5 per cent less gross dividend if any received by IDBI from the company A matching contribution of 60 lakhs has been accepted and paid by the state government Under the agreement, IDBI shall have the right to appoint two of its nominees on the board of directors One of the directors had already been inducted, following which, the strength of the board has risen upto eleven The Board for Industrial and Financial Reconstruction (BIFR) scheme stipulates a maximum of twelve nominees on the board of directors The board includes two directors nominated by state government, one director by the banks, two directors representing the workers' co operative, three professionals in related fields a special director representing BIFR, a nominee director of IDBI and the managing director of the company

Apprehension however, does exist regarding the composition of the board It has been pointed out that a token representation of two workers directors on a board of eleven, undermines the workers initiative to control the company The union however firmly maintains that at least four other nominees i e all professional nominees have been inducted into the board at the behest of workers and that these professionals stood by the workers in the preparation of their scheme for revival Proceedings of the regular meetings of the board indicate consensus in unanimity amongst the members Whether such a trend continues with workers decisions getting endorsed in time to come is an issue that needs to be closely watched

As per the scheme a plant level committee consisting of two representatives of the workmen of the company, managers of rods and tubes plants works manager and personnel officer is being constituted This committee of which the managing director is the chairman will look after the day to day working of the plants supervision of the workers and shall ensure that the production targets are achieved as per the norms The functioning of this plant level committee will be overseen by a management committee consisting of four members a representative each of the workers' union workers co operative, banks and the managing director of the company With the managing director of the company, being the chairman of both the committees it is expected that close co ordination can be achieved easily Since IDBI is the operating agency it has also constituted a committee consisting of a representative each from IDBI Bank of India, KTL state government and a special director of BIFR to monitor the performance of KTL Besides these committees, the workers' co operative society has constituted a co-operative committee to oversee the performance of the co-operative. This committee is composed of four workers, two members from the staff, seven members from the officers' category besides two workers' directors of the board The union has constituted its own committee to look into the grievances of workers and to counsel them on various issues It has thirteen workers four members from the staff and is headed by a president and a working president, both of whom are on the board of directors Thus a number of committees are in operation working in co ordination with one another

It is heartening to note that production is being carried out at appreciable levels In fact production for the month of June exceeded the targets set by the BIFR scheme in respect of the tubes productions While the scheme anticipates an annual production of 1,200 tonnes of rods and 960 tonnes of tubes per annum which amounts to 100 tonnes of rods and 80 tonnes of tubes on an average per month production of tubes for the month of June touched 90 tonnes and the production of rods has reached the targeted level Thus with respect to production the workers are very confident of increasing the output They have set out to increase the production in the next two months by at least 25 per cent With the current levels of production the annual turnover of the company for this year is expected to be to the tune of Rs 20 crore with a reasonable profit

The recruitment of various cadres was completed by June It needs to be mentioned here that only 600 employees could be taken in out of 733 employees It was observed that workers had to experience a lot of uncertainty and anxiety as various batches of workers were being inducted in a phased manner The principle followed for recruitment was first come first go This principle was applied department category wise and not in totality By this principle some of the workers though they had more experience in a given department as compared to workers who had less experience in other departments could not be employed This has created a lot of discontentment and resentment amongst some of the workers Amongst the young generation of workers who are left out there is a lot of frustration and cynicism They advocate that workers who have another two or three years of service be convinced to opt for a voluntary separation scheme and that they be inducted as they have served just two to three years for Kamani Tubes

The union has found this a very delicate problem to contend with A lot of persuasion is being attempted, by the leadership, to convince the young workers Added to it the union is mooting various proposals to identify alternate sources of employment for these workers It is proposed that a co operative of these workers be formed to undertake the packing of KTL products Another proposal being considered is to start a transport service, employing these workers, which will bring raw materials to the plant A number of other proposals are being

worked out though they have not yet taken concrete shape For the workers who are left out, provision has been made under the scheme for an amount of Rs 60 lakh for payment of retrenchment compensation and dues of ex employees to be paid over three years with the first instalment being payable in April 1990

As production scales are increasing workers are busy discussing issues of profit sharing In this regard the scheme calls for fixing of production norms and linking of salary wages of all supervisors and workers with such production norms as envisaged by IDBI report The scheme stipulates profit sharing to the extent of 20 per cent of net profits among the employees of company Fifty per cent of the funds so available will be used and adjusted for allotment of fresh equity shares to the workers co operative and the remaining fifty per cent of the funds available for sharing will be utilised in liquidating the loans taken by the workers employees from the IDBI for the purpose of making their contribution These provisions work in favour of the workers since the workers need to buy the new shares at the face value of one rupee each while on retirement or on leaving the company they will get the returns as per the current appreciated value of the shares Thus it is a novel scheme with lots of benefits to accrue in future as the company makes increasing profits

Profitability will of course depend upon the marketability of the product Though KTI is performing well in the market it is facing lot of hurdles in establishing the supremacy that it established in early 1970s One of the reasons for this is that sales tax imposed on non ferrous products in Maharashtra is four per cent whereas in Rajasthan where the notable competitors are placed the sales tax is just one per cent Because of the high sales tax stipulation a co operative sugar factory having placed an order for sugar tubes worth Rs 8 5 lakh later withdrew it in favour of the Rajasthan seller as it would cost Rs 36 000 less Further the company has to pay a turnover tax of two per cent as stipulated by the Maharashtra government where as in Rajasthan such constraints as turnover tax are not imposed These issues were raised by the company with the labour and industry minister Ramarao Adik when commercial production was inaugurated on April 6 The minister promised to look into the grievance of the company and the decision of the government is awaited

The Kamani employees union further alleged that competitors are indulging in unethical commercial practices As union officials pointed out the quality inspector who was to investigate the quality of outgoing material to a client was forced by a competitor to abstain from visiting the factory premises This resulted in despatch of material to the client with an assurance on quality which had later to be tested by the client s own inspectors Another important point to be mentioned is that with the entry of Kamani Tubes into the market the competitors have reduced the price of sugar tubes by Rs 20 per kg All these facts go to prove the point that in commercial terms KTI is still viable and profitable But the depressing feature of the non ferrous market is that it is notorious for rampant corruption and underhand dealings An unenviable task is thus ahead for the marketing professionals of KTI to pierce through such a market by providing quality material and abstaining from the deviant practices of the market KTI is expected to get into air conditioning and refrigeration market very soon where profit margins are quite high It will be interesting to observe how KTI plants out its marketing strategy for the future

On the industrial relation front a lot of rethinking is being done in the company The types of systems and procedures that should be brought in and the sort of disciplinary procedures to be adopted are the issues that are being given serious thought Being collective owners of the company the workers feel the need to re relate and reorient these relations in terms of organisational goal

Alcoholism pose a serious problem for the company Though the union has undertaken the exercise of counselling workers to keep away from alcohol while reporting for work the problem still remains Neither can such strict disciplinary measures as charge sheet and dismissal be issued to workers nor can indiscipline be tolerated A strong plea is being made by the union to its workers to adopt a community approach and social counselling to curb this evil

Other issues where the workers have assumed responsibility include housekeeping activity and safety provisions and in this regard workers efforts are praiseworthy in housekeeping activities and maintenance of safety Another observation that could be made on the shop floor is that workers have learnt to continue their routine without the supervisor being present Workers are asserting themselves and are sparing no efforts in forging group activity

To promote a sense of belonging amongst workers staff and officers regular meetings with respective categories of employees have already started A significant observation that could be made in this context is that there is still a gap that exists between the workers and officers being products of different environments The workers share a different class situation compared to the white collar employees That is perhaps the reason why the sense of identity that the workers have established with the company is not yet visible, in tangible terms in the white collar employees A unified consciousness needs to be forged amongst all categories of employees

The union situation too merits some attention The Kamani Employees Union is currently passing through a situation that it has never experienced before The union situation in KMA Limited is showing signs of lagging and there is a need to revitalise the rank and file and leadership in KMA This is so because the union situation in one of the units in the compound has a definite bearing on the union situation in the other two units in the same compound The leadership did realise the urgency of the situation and efforts are on to train the union activists on a continuous basis from July

Another dimension of the trade union situation is that the president and working president of the union are the directors on the board of Kamani Tubes Limited The union president (Y V Chavan) representing the workers co operative and the working president (D Thankappan) representing the union on the board of directors have repeatedly stressed that they would continue to be on the board only for two years They insist that workers from the rank and file should be trained and their representatives be inducted into the board of directors They also feel that they should relinquish the positions they currently hold in the union and act only as advisors in future They argue that the younger generation of workers should takeover and lead the union so that continuity of active leadership is ensured to strengthen the movement in the Kamani group of companies Though their stand is commendable the question persists whether the training imparted to the union activists succeed in making leaders who can compensate for the two experienced leaders who led the union for over twenty five years It has to be seen how the rank and file makes effective use of this training and take up the workers cause

The success of the venture will be attained when a new participatory culture emerges with all the six hundred employees making effective contributions in the decision making process This requires the emergence of a new work ethic with a higher degree of workers consciousness This is a gradual process and cannot be achieved overnight It may take years before such work environment emerges

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MADHYA PRADESH

Emergence of BJP

A Correspondent

An air of optimism pervades the BJP, the main opposition party in Madhya Pradesh, as rival parties prepare for the forthcoming general elections. Its promise of waiving loans to small and marginal farmers seems to be paying dividends.

IT is a strategy that has unnerved the ruling party and the pity is that they cannot do a thing about it. The BJP's loan waiver campaign has proved a spectacular success in Madhya Pradesh. During the last eight months, when the programme was launched in the state, an estimated 35 lakh farmers have trooped into the 7,000 loan redemption camps organised by the party all over Madhya Pradesh.

The BJP has promised to waive the government and co-operative loans of all small and marginal farmers if it comes to power. It is organising camps in the countryside. The farmers reporting to these camps are made to fill up loan redemption forms. A small fee of rupee one per form is levied by the party to make the process look more authentic, and sit on dharna at local government offices which finally culminate in massive rallies. Chief minister Motilal Vora calls it a gimmick.

But the gimmick has caught the imagination of the rural folks and it is causing sleepless nights to the Congress(I) leaders. At least one top ruling party leader, Kamalnath, the high profile MP from Chhindwara, has advocated waiving of loans. But the Congress(I)'s dilemma is that such a step might be construed as the victory of the opposition rather than the benevolence of the ruling party.

The mood is indeed buoyant in the BJP, the main opposition party in the state, as the various contenders gird up their loins for the next general elections. The party is making a determined effort to challenge the Congress(I) and emerge victorious. It hopes to wipe out the humiliation of the last election when the Congress(I) bagged all the 40 Lok Sabha seats and 243 of the 320 assembly seats. The BJP secured only 58.

Learning its lessons from the ignominy, the BJP had devoted itself to building a strong organisation network—a task it was quietly doing for the last four years—and slowly it has emerged as a giant. And its preparations for elections also started almost two years ago. Patwa claims, "if elections are announced tomorrow, you would not find us unprepared. We are ready with candidates, election machinery and resources."

The BJP has reasons to be confident. Although in the last election it could not gain entry to parliament and secured only 58 seats in the assembly, it polled about 32 per cent votes. In fact, this has been its lowest voting percentage since 1967, showing that it has the support of at least one third of the electorate in Madhya Pradesh. Where it failed last time was its neglect of the rural areas and its reactionary image among the Harijans, tribals and minorities who together constitute more than 40 per cent of the total population.

In a strongly worded self criticism of the party's performance after the last election, former state BJP chief Shiv Prasad Chanpuria accepted that "the organisation failed to build a strong mass base in the rural areas due to perfunctory implementation of its programmes. The workers did not take enough interest in the rural development programme for welfare of the common man." When Patwa succeeded Chanpuria in 1986, the BJP took up two programmes under his leadership: one was a massive fund collection drive to keep the party equipped for the next elections and the other was to strengthen the organisational network and gear up the party machinery to contest the elections.

The statistics are impressive. BJP membership has grown from three lakh to five lakh, covering 15,000 panchayats as against 7,000 earlier. The number of block level committees has increased from 500 to 675. More importantly, as Patwa points out, "the party apparatus now covers all the 40,000 polling booths in the state." And the nuclei of this impressive structure are the 10,000 power centres all over the state.

The structure has stood the party in good stead. During the loan waiving campaign it has succeeded in organising 15 massive rallies at regional and district levels. The reasons of this success are not far to seek. In Bhind district, for example, about 1.65 lakh farmers signed the 'loan redemption forms' issued by the party.

This apparatus also came handy in the massive fund collection drive. It has collected about Rs 1.25 crore as special fund in the districts. The fund has been retained with the district committees and earmarked for elections. Party treasurer Kailash Sarang says "till now we had never succeeded in collecting more than Rs 25 to 30 lakh." The BJP has also formed a 16-member state campaign committee.

DRAWBACKS

But party sources concede that their work among the tribals, Harijans and minorities leaves much to be desired. The reason, asserts Patwa, are historical. These sections of the society were traditionally aligned with the Congress(I). Apart from forming various front organisations for these sections, the party does not seem to have made any special efforts to win the confidence of the minorities and the scheduled castes. In fact, recently the party shed some of the secular image it had painstakingly tried to acquire over the last decade. Its stand on Ram Janma Bhoomi issue and the bitter attack on Christian missionaries gives the direction of the new moorings.

The BJP leaders are probably banking on the support their future poll allies, the Janata Dal, will provide in securing the votes of the minorities and the Harijans. The former socialists and Congressmen in the Janata Dal are certainly placed advantageously there. Although on the face of it, the BJP makes tall claims of going it alone in case the Janata Dal persists in its unreasonable demand of contesting 23 of the 40 Lok Sabha seats, the reality is that they know that without an alliance with other opposition parties, they cannot hope to come to power in Madhya Pradesh.

In a confidential analysis of the electoral situation, the BJP has divided the parliamentary constituencies in four categories, A, B, C and D. It has placed 10 constituencies in A category where it is reasonably confident of winning. There are nine seats in the B category where it will have to work hard to turn the tide in its favour. The 13 seats in the C category are considered uncertain, and the party concedes that its position is very weak in 8 constituencies of the D category. Everyone in the party concedes that the situation would change radically once the opposition forms an alliance and provides a viable alternative to the ruling party. The party leaders are confident that the current difficulties in seat adjustments are part of the process, and everyone will come together once the elections are announced.

The Congress(I) is not amused. The Congress(I) in the state was never so badly divided. And the BJP was never so confident.

THE TATA ENGINEERING & LOCOMOTIVE COMPANY LIMITED

Statement of the Chairman, Mr Ratan N Tata, for the year 1988–89

Telco has always been widely recognised as the country's premier automobile manufacturer. But this is just the most obvious part of its capabilities. It was only when I got deeply involved with Telco as its Executive Deputy Chairman in April 1988 that I truly understood its enormous technical strength. The credit for building this unique engineering capability, without any doubt, goes to one person, Mr Sumant Moolgaokar. It has been his vision and direction over the years that has made Telco the Company it is today. It is therefore only fitting that as I address the Shareholders of Telco for the first time as Chairman I place on record the outstanding contribution made by Mr Moolgaokar to this Company.

Mr Moolgaokar's long association with Telco goes back to 1949 when Telco's operations were confined to steam locomotives. Under his direction the Company moved into commercial vehicles, earthmoving equipment and sophisticated machine tools. Mr Moolgaokar's greatest contribution, however, was the creation of a high level of technical ability within the Company which gives Telco the engineering development capability to independently engineer vehicles as well as other sophisticated engineering goods. His uncompromising insistence on maintaining the highest standards of quality and excellence in all the Company's activities today permits Telco to make world class automobiles.

Although Mr Moolgaokar stepped down as Chairman in December 1988, the Company will continue to benefit from his guidance since he remains on the Board as a Director and has recently consented to being appointed Chairman Emeritus. The greatest tribute we in Telco can pay Mr Moolgaokar will be to uphold the standards of excellence which he established and to ensure that there is a continued commitment to technical development and to the motivation of Telco's employees.

RECORD PERFORMANCE

1988-89 has [illegible] for Telco. The [illegible] economic [illegible] substantially improved. The [illegible] commercial vehicles [illegible] and Telco's operational and financial performance attained record levels. The Company's light commercial vehicle range has been extremely successful in the market, earning a market share of 24%. It is expected that with the enhanced production facilities being established the market share will increase further.

The Tatamobile pick-up which has been entirely designed and engineered by Telco was launched in July 1988 and has been widely accepted in the market as an all-purpose utility vehicle. In 1990 the Company will introduce the Tata Estate which is a station wagon derivative of the Tatamobile. An advanced prototype of this vehicle will be on display at the forthcoming Annual General Meeting.

LABOUR SITUATION IN PUNE

Against all the achievements of the Company in 1988-89 there has been an unfortunate disruption of industrial peace in the Pune factory. Attempts were made by certain leaders to usurp the right of the management to manage the plant. Acts of violence, intimidation and coercion were witnessed with increasing frequency in March. Obviously there were no winners, only losers. The Company suffered a loss of production, the workers suffered losses in their wages, and the long term damage to industrial relations will yet need to be assessed. I have nothing but admiration for those of our employees who continued to do their jobs with vigour despite the intimidation and personal threat to them and to their families. Without their commitment the Company would not have achieved the results it did during the last quarter of the year.

No effort is being spared to rebuild the industrial harmony that the Pune plant has enjoyed over the years. The management is keen as always to be fair to all its employees and to safeguard their well being. However, if the situation in Pune deteriorates, intimidation and threats continue and the administrative machinery does not adequately provide for the safety of our employees, the management will be compelled to divert major investment schemes to other locations. Such a step would undoubtedly be disruptive for us as Pune has been a prime centre of Telco's technical strength. It would also have a major impact on the growth of local ancillaries in the Pune area. As a last recourse, however, such an action may become necessary if the physical safety of the Company's personnel and property in Pune cannot be guaranteed.

PRODUCT DEVELOPMENT AND IMPROVEMENT

In 1967 Telco established a central Engineering Research facility at Pune. Over the last 21 years the Company has invested over Rs 115 crores in this activity and created a team of designers and technicians who have been responsible for the development and improvement of all the commercial vehicles being manufactured by the Company. This capability is crucial to the Company's independence and will continue to receive the highest priority in the coming year. Apart from new product development, considerable emphasis is being given to the improvement and enhancement of the present range of vehicles with a view to improving fuel efficiency, reducing emissions as well as attaining higher levels of safety and greater driver comfort.

Telco's product development and improvement programme will help support its thrust in exports. During 1988-89 the Company registered an outstanding export performance of Rs 81.4 crores. Plans have been initiated for achieving higher exports in keeping with the national objective of increasing foreign exchange earnings.

EXPANSION AND MODERNISATION

Telco remains committed to making investments for the modernisation and further development of its Jamshedpur plant. In the last 5 years over Rs 150 crores capital investment has been made in Jamshedpur. A new forge shop, a high output foundry line, a new paint shop as well as augmentation of engine and gearbox manufacturing facilities are some of the projects recently undertaken at Jamshedpur. With steadily improving productivity levels the Company may find it profitable to increase its investments in Jamshedpur.

Plans are being implemented for constructing a modern manufacturing facility at Lucknow. The factory will produce medium and heavy commercial vehicles as well as special purpose vehicles. This plant is expected to play a significant role in the future development and growth of Telco.

The Company is actively discussing a proposal with Daimler Benz to manufacture their World Concept range of commercial vehicles. The vehicles would be marketed overseas by Daimler Benz under their brand and would lead to technological upgradation of the existing range of vehicles in India. The project would yield substantial exports for the country and would further strengthen Telco's technological base and capability to meet vehicles to international standards.

POLICY SUPPORT

The liberalisation initiated by the Government of India in recent years has not only increased the supply and almost brought to an end the era of waiting in the country for a wide range of industrial and consumer goods. However substantial anomalies exist. Import duties are higher on raw materials sourced by actual manufacturers than on finished or fully finished components or product assemblies attract concessional rates of duty. In select cases the higher levels of import duties are not tied to limitrity, it would be in the national interest to ensure that indigenisation commitments are maintained so as to conserve scarce foreign exchange.

There is a pressing need to encourage the establishment of high quality ancillary units in the country with the technical capability for indigenising the manufacture of key components and sub assemblies for the engineering industry. Government policy support for these units would go a long way to build a strong base for India's engineering industry.

A NEW MISSION

Telco has established an undisputed lead in the commercial vehicle industry in India. It has attained a predominant market share in the medium and heavy commercial vehicle market and its share in the light commercial vehicle market is growing rapidly. The near future will also see Telco as an important player in the field of lighter passenger oriented vehicle.

A company needs to continuously grow in order to motivate its people. Expanding markets, a wider product range and diversification can all provide such growth. With the skills and capabilities that have been built into the Company, Telco is ideally suited to enter the industries of tomorrow. Your management is undertaking to identify strategic options utilising Telco's areas of strength.

THE TELCO TEAM

During the year of my active association in Telco, I have recognised that the ability of Telco to perform has been largely due to the team spirit and pride that exist throughout the Company. I feel proud to be a member of this team and look forward to a future of continued growth and prosperity for Telco.

Ratan N. Tata

Bombay
27th June 1989

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

IN MEMORY OF SUMANT MOOLGAOKAR

When I wrote about Sumant Moolgaokar in the opening paragraph of my Statement to the shareholders of Telco I didn't realise that in a few short days he would no longer be in our midst. We were all aware that he was unwell but we had hoped that he would recover as he had on more than one occasion in the past. But this was not to be. In the early hours of the first day of July this year Telco lost its greatest asset and India lost an industrialist of irreplaceable worth.

Sumant Moolgaokar was a technocrat with extraordinary foresight and a builder of people. He had a vision of building a strong engineering base for an independent India and saw the automobile industry as the prime means of achieving it. Taking the helm of Telco around the time the nation attained independence, he made it a model of what could be achieved in a developing country through will, dedication and a firm resolve never to accept second best. The rugged Tata vehicle that far outnumbers any other make of commercial vehicle on Indian roads are the monument to the project Mr Moolgaokar's outstanding technical vision. He had a talent for inspiring design and production engineers to give the customer the right combination of innovation and value for money. In his mind the strategy was clear and he took the Indian operator in stages from the World War II generation designs Telco started with to the internationally competitive vehicles the Company turns out today. But if there is to be one single aspect for which Mr Moolgaokar will be remembered most, it is his belief in what people can do. Long before management development became a popular buzzword in executive circles he consciously selected promising men, gave them challenging assignments, encouraged their effort and took personal interest in their growth and development. People with fresh new ideas, new approaches and different outlooks always found a strong supporter in Mr Moolgaokar. He gained a reputation for building top grade managers and creating an environment that led to their motivation. Many senior managers look back at their early days under Mr Moolgaokar as the period that made the greatest contribution to their careers.

We in Telco will miss Sumant Moolgaokar enormously. The Company has yet to absorb the fact that the man who built it is no more. There is shock and there is grief amongst us but we must face the realities with the courage and the resolve we have inherited from this great man. All of us in Telco stand committed to take this Company which is the life work of Sumant Moolgaokar to heights he envisaged and to uphold the high tradition he so firmly established over the years. That will be our greatest tribute to the memory of this wonderful man.

Ratan N. Tata

Bombay
6th July 1989

Eighth END Convention

Amitabh Mattoo

The economic union of Europe must include the east bloc if peace and prosperity are to be secured. Likewise closer co-operation with developing countries is necessary.

THE eighth European Nuclear Disarmament (END) Convention was held at Vitoria Gasteiz in the Basque region of northern Spain from July 6 to 9, 1989.

END was launched in April 1980 following an Appeal drafted by, among many others, E P Thompson (the well known historian), Mary Kaldor (researcher at the Armament and Disarmament Information Unit at Sussex) and Zhores Medvedev (a dissident Soviet historian). The immediate aim was to initiate and co-ordinate action by anti-nuclear groups from all over Europe against the NATO decision to deploy intermediate range nuclear missiles in western Europe. END also hoped to mobilise public opinion in favour of a nuclear free Europe campaign against the two military blocs (NATO and the Warsaw Pact) which were dividing Europe, to bring the peace movements and the movements for civil, human and trade union rights closer to each other and to express solidarity with third world concerns and struggles.

The first END Convention was held in 1982 in Brussels and since then the convention has been held each year in different parts of the continent in Berlin, Perugia, Amsterdam, Paris, Coventry and Lund. The INF treaty between the United States and the Soviet Union in December 1987 agreeing on the elimination of intermediate range nuclear missiles changed the situation. The peace movements suddenly lost their central focus of attention. The Lund Convention in 1988, while celebrating the treaty, emphasised the need for END to evolve to keep up with the times for its own survival. In a strange way Gorbachev and the INF treaty, while ensuring that the nuclear issue was no longer the centre piece of the political agenda, also marginalised public support for the anti-nuclear movements. The 1989 convention was a recognition of the fact that END needed to re-order its priorities in changed times, the importance of looking beyond Europe and thinking globally. The convention paid silent homage to all those who were killed in the struggle for democracy and freedom, at Tiananmen Square.

The central theme of the convention was "The global dimensions of peace, disarmament for development." The emphasis was on the north-south divide, third world conflicts, the future of Europe (and of its relations with the rest of the world) after the economic union of 1992, and to a lesser extent on the quest for global nuclear disarmament and the politics of NATO's plans to modernise its short range nuclear missiles.

Delegates in the first plenary session pointed out that east-west detente had brought into the forefront the stark contradictions existing between the north and the south. The debate focused on the debt crises and the need to drastically reschedule and in some cases write off the loans. Schemes like the Brady plan, it was emphasised, would not have much impact unless they broadened their limited parameters and accommodated countries other than just the political allies of the United States.

Attention was also drawn to the growing poverty of the global environment which could not be separated from the asymmetrical nature of international politics itself. The dumping of toxic waste by the western world in poor third world countries, rather than go through the expensive process of recycling, was a cause for grave concern. Speakers emphasised the increasingly interdependent nature of the world. Attention was also drawn to the depletion of the ozone layer and the consequent global warming which was bringing it to the edge of disaster. The need for an urgent summit of leaders from the north and the south for joint action and common survival was articulated.

The conflicts in the Mediterranean area were the subject of a separate plenary session. Several Palestinian and Israeli groups were represented during the debates on the Middle East problem. All were unequivocal in their condemnation of the atrocities inflicted by the Israeli army and the government, during the *intifada*, on the people living in the occupied territories. Most also agreed that any permanent solution to the problem would have to include the PLO, and the United States acceptance of this was welcomed. The urgent need for an international conference on the issue was perceived. Mention must also be made of a group from Israel "Women in Black" who were well represented at the convention. This is composed entirely of Jewish women who march through the streets of Jerusalem—wearing black dresses—in solidarity with the Palestinian resistance. The other conflicts discussed included those between Morocco and the Polisario Front and those within Cyprus.

Delegates voiced concern at the prospect of economic integration of western Europe in 1992. Was that a first step towards a European fortress, integrated militarily as well? Most agreed that any European union should include countries from eastern Europe in the common pursuit of peace and prosperity. The integration should not create increased protectionist measures to the exclusion of the less developed countries but work in close co-operation with them.

Germany's resistance to the proposed NATO modernisation of its short range missiles was welcomed, though it was felt that the present German government was holding out for purely electoral reasons. The peace movements, most delegates believed, must vigorously campaign for a third zero towards the elimination of all short range missiles.

The conference ended with a trip to the Basque town of Gernika, which was destroyed in 1937 during the Spanish civil war by Franco's army with the aid of the Italians and Germans, because of the Basque government's support for the Republicans. Today it stands as a symbol of the Basque peoples struggle for identity and autonomy which they got in 1979 soon after Franco's death. Basque country is now an autonomous region within Spain.

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Problems of Poland's Foreign Debt

Jan Lisowski

While Poland's rouble debt is not a unique phenomenon in CMEA, it is the country's high debt with developed countries which complicates the situation

POLAND's foreign debt is one of the most serious economic problems facing the country. Besides the indebtedness in the developed countries, the debts in CMEA are an important element of the problem. Since 1974 the debt of Poland in transferable rouble (rbt) terms has been growing due to the trade deficits. The growth was especially rapid in the 1980s mainly to the Soviet Union. In 1975 the rouble debt amounted to rbt 430 mln, in 1979 rbt 845 mln, by the end of 1987 it was eight times higher than at the end of 1979 (Table 1). In 1988 the rouble debt of Poland decreased by 0.1 bln to the level of rbt 6.5 bln. The debt consisted mainly of the liabilities to the Soviet Union (Table 2).

The average interest rate on Polish rouble liabilities increased from above 2 per cent in the beginning of the 1980s to 4 per cent in the mid 80s and 4.4 per cent in 1988. The interest payments are made currently and their 1988 value amounted to rbt 286 mln.

The fast growth of the debt in the 80s and the inability of Poland to pay the liabilities to the Soviet Union and the CMEA International Bank of Economic Co-operation (MBES) have resulted in postponing payments of rbt 3.9 bln from the period 1986-90 to the years 1991-95.

The results of research works done in the previous years in the Institute of Economics of Polish Academy of Sciences show that the deficit in Polish trade with CMEA resulted mainly from the unfavourable changes in terms of trade caused by the changes in prices of oil, natural gas and other raw materials imported from the Soviet Union. Thus the possibility of repaying debts will depend on the future prices in the intra-CMEA trade.

The 43rd CMEA Session initiated work on the rules of price formation in intra-CMEA trade in the years 1991-95.[1] Three proposals were submitted: gradual switching to the current world market prices in 1995 (proposal of Poland), continuing the existing five-year average principle shortening the basis period from five to three years.

The other direction of the works connected closely with the price reform is improvement of the CMEA financial mechanisms. The works concentrate on three topics: Strengthening the role of transferable rouble as a common currency of CMEA; Conditions of introduction of a partial convertibility of the transferable rouble; Opening in MBES of special accounts in transferable roubles with a possibility of their exchange for the convertible currencies, using national currencies in exchange of goods and services in direct co-operation of enterprises (five bilateral agreements have been signed so far, but their role is still not significant).

The decisions taken in the two areas will have an impact on the conditions of the rouble debts repayments. It is hard to describe the conditions now, since the differences in interests of individual member countries cause slow progress.

Except the trade in transferable roubles part of Polish trade with CMEA countries is conducted in convertible currencies (Table 3).

TABLE 2: STRUCTURE OF POLISH ROUBLE DEBT, 1988

(in rbt bln)

USSR	5.2
MBES	1.0
Czechoslovakia	0.1
Komecon	0.1
Other GDR, Hungary, CMEA International Investment Bank	0.1

Source: Marek Rybicki, Grzegorz Wojtowicz, Inny dług, *Gazeta Bankowa* nr 14, April 9, 1989.

TABLE 1: ROUBLE DEBT, POLAND, 1980-88

Year	1980	1981	1982	1983	1984	1985	1986	1987
Commodity trade deficit (rbt bln)	0.8	1.0	0.[illegible]	0.[illegible]	1.0	1.2	0.9	0.6
Debt interest (rbt bln)	0.6	1.[illegible]	0.0	0.1	1.0	0.8	0.9	0.1
Level of debt (rbt bln)	1.4	5.1	3.[illegible]	5.[illegible]	4.8	5.6	6.5	6.6
Debt to commodity exports ratio (per cent)	23	51	1[illegible]	1[illegible]	6[illegible]	6[illegible]	64	62

Source: Marek Rybicki, Grzegorz Wojtowicz, Inny dług, *Gazeta Bankowa* nr 14, April 9, 1989.

TABLE 3: POLAND'S TRADE WITH CMEA COUNTRIES IN CONVERTIBLE CURRENCIES, 1981-8[illegible]

(in US $ mln)

Year	1981	1982	1983	1984	1985	1986	1987
Exports	56.1	178.7	239.9	255.5	253.1	223.1	154.7
Import	70.4	144.7	217.7	208.5	183.5	176.3	175.3
Balance	14.3	34.0	32.2	16.6	49.8	46.8	20.6

Source: J. Mi[illegible], J. Morag, Dolarowa grozba, *Gazeta Bankowa* nr 1, January 2-8, 1989.

TABLE 4: BALANCE OF INDIVIDUAL EUROPEAN CMEA COUNTRIES TRADE WITH OTHER MEMBER COUNTRIES, 1975-8[illegible]

(Current prices, in rbt mln)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	Total
Bulgaria	145	32	-62	268	237	197	561	565	3[illegible]8	38	165	17	109	2819
Czechoslovakia	-280	105	244	288	424	180	46	196	508	32	651	691	134	4489
GDR	-136	261	-677	232	459	110	267	9	744	742	570	62	473	1234
Hungary	-232	-50	65	398	142	151	539	527	517	708	935	334	409	3363
Poland	269	35	135	-115	215	768	1633	543	557	669	661	496	23	5087
Romania	64	66	11	52	135	221	39	220	154	245	325			1060
USSR	478	1046	1657	496	1769	2901	4947	3598	3641	3578	2415	3397	1840	32765

* The data include total turnover of individual CMEA countries with the other member countries.

Source: Calculated according to the data from *Statisticheski Ezhegodnik Stran Chlenov SEV*, Moscow, 1976-1988.

The balance of the turnover in convertible currencies (a total US $ 144 5 mln for 1981 87) shows that it has not played a significant role as an element of Polish debts in CMEA countries, also as an instrument of solving the problems However the balance of the trade in convertible currencies does not fully reflect the size of Polish liabilities or dues in convertible currencies in the CMEA countries It does not include financial credits in convertible currencies The conditions of the credits are freely negotiated and it can be expected that the interest rate is at least equal to the one on the international credit market

Poland s debt in the other CMEA countries is not unique in CMEA Such debts can be seen in Czechoslovakia and Bulgaria in GDR and Romania the surpluses are most probably offset by the surpluses in the trade with non European CMEA countries (Vietnam Cuba) The problem of the debts of individual CMEA countries in the other member countries concerns mainly their liabilities to the Soviet Union (Table 4)

Hungary is the one country having considerable surplus in trade with the Soviet Union The inability to use the surplus in the trade with the Soviet Union in the trade with the other countries and the strong inflationary tendencies in Hungary make the surplus rather troublesome to the Hungarian authorities Therefore Hungary has undertaken measures to rationalise the trade in roubles and to curb its rouble exports One such measure is a planned rouble auction in the Hungarian national bank During the auction the exporting enterprises will offer their roubles to the importing ones In case the exporter does not achieve during the auction an exchange rate at least equal to the one achieved in his export it will be an incentive to decrease his rouble exports

Poland s rouble debt is not a unique phenomenon in CMEA The basic difference in Polish situation is the high debt with developed countries as well as in the CMEA countries simultaneously This may complicate the solution of the problem of Poland s foreign debts

Notes

1 The information on Polish rouble debt taken from Maria Rubel Grzegorz Wojtowicz Inny dlug *Gazeta Bankowa* nr 14 April 3 9 1989

2 See Jan Lisowski Wplyw zmian cen swiatowych na polski handel zagraniczny, *Studia Ekonomiczne* nr 15 INE PAN Ossolineum Warszawa 1987

3 See Zroznicowanie interesow w RWPG Rynki Zagraniczne, January 24 1989

4 See J Misala J Morag Dolarowa Proteza *Gazeta Bankowa* nr 1 January 2 8 1989

FORM II-A

THE MRTP ACT, 1969

[See Rule 4A (1)]

Form of general notice to be given to the members of the public before making an application to the Central Government under sub section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969

NOTICE

It is hereby notified for the information of the public that INDOFIL CHEMICALS COMPANY A DIVISION OF MODIPON LIMITED Nirlon House Dr Annie Besant Road Worli Bombay 400 025 proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under sub section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the establishment of a new unit Brief particulars of the proposal are as under

1	Name and address of the applicant	INDOFIL CHEMICALS COMPANY (A Division of Modipon Limited) Nirlon House Dr Annie Besant Road BOMBAY 400 025 Regd Office Hapur Road Modinagar 201 201	
	Capital structure of the applicant organisation	Equity	Preference
	Authorised	20 00 00 000	5 00 00 00
	Issued subscribed & paid up	7 82 80 570	1 45 49 500
3	Management structure of the applicant organisation indicating the names of the Directors including Managing Whole time Director and Manager if a	The Company managed by the Managing Directors under the overall superintendence of the Board of Directors Names of Directors are as under	
		Mr S B Lal	Chairman
		Mr K N Modi	Director
		Mr K K Modi	President Managing Director
		Mr M K Modi	Vice President Managing Director
		Mr J J Doyle	Director
		Mr A F [illegible]	Director
		Mr C C Metzger	Director
		Mr J T [illegible]	Director
		Mr M L Modi	Director
		Mr Prabhat Kumar	Director
		Mr S K Modi	Director
4	Indicate whether the proposal relates to the establishment of a new undertaking or a new unit division	New Unit	
5	Location of the new undertaking Unit Division	It is proposed to locate the new undertaking in the State of Maharashtra preferably in a notified backward district area	
6	Capital structure of the proposed Undertaking	The proposal is to be implemented by the existing Company whose capital structure is given in item 2 above	
7	In case the proposal relates to the production storage supply distribution marketing or control of any goods/articles indicate		
	I Name of goods/articles	I Proposed licensed capacity	
	Petroleum Additives	3000 MT per annum	
	III Estimated annual turnover	About Rs 16 50 Crores	
9	Cost of the project	About Rs 2 85 Crores	
10	Scheme of finance indicating the amounts to be raised from each source	Internal resources rupee and foreign currency loans from institutions and debentures/deposits	

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein

Sd
(I K GUPTA)
SECRETARY

Dated this Fourth day of August 1989

Consistency and Ambiguity in South Asian Islam

Ishtiaq Ahmed

Shariat and Ambiguity in South Asian Islam edited by Katherine P Ewing, Oxford University Press, Delhi, 1988, pp 314 + index, Rs 250

THIS book consists of papers presented at a conference on South Asian Islam Moral Principles in Tension, which was held in 1981 in Pennsylvania The various contributors represent a variety of disciplines an thropology history religious studies The anthropologists are by far the largest group In the Introduction' the editor declares the purpose of the study as an examination of the relationship between the codes for behaviour derived from Islamic principles and codes originating from other sources The general Muslim belief is that the Shariat i e Islamic law is the supreme and all comprehensive code of behaviour to which alone they are required to render adherence In reality the Muslim community in its fourteen centuries of history has been influenced by diverse outlooks and traditions besides the Islamic That such were to happen is not surprising considering the fact that Islam spread to various parts of Asia and Africa and in the process local traditions and cultur lent their own imprint to the Islamic identity which evolved in the process Furthermore from the very outset Muslims were not a cohesive community but comprised several sects and sub sects and ethnic and linguistic variations South Asian Muslim identity presents a good example of multi dimensionality cultural diversity and ethno linguistic and sectarian heterogeneity The result is plurality and ambiguity rather than consistency and conformity which Muslim theorists assumed in their ideal version versions of the Islamic community

The editor points out that a basis for accommodating inconsistency between the ideal and the real however has existed implicitly in the very way Muslims interpreted history The generally held belief was that the most perfect period in human history ended with the demise of the Prophet (632 A D) and the end of the pious caliphate In other words only during that brief period in history lasting about 40 years did the Shariat find its fullest expression The main implication of such a view of history was that subsequent Muslim society was considered a divergence from the ideal model An effort to conform as much as possible to the ideal society was considered the bounden duty of all good Muslims Also, in the Muslim tradition the duty of the state and the ruler in ordering society along Islamic lines was assumed, but it was not clear to what extent the state is obligated to enforce Islam

Now the ambiguities of everyday life tend to obscure the inconsistencies that creep in to a community's organising principles However in periods of crisis or rapid change awareness about the discrepancies between a community s professed standards and its deviations become accentuated At such times a re evaluation of the situation becomes inevitable and this means that efforts are made to re define the boundaries of the community The question of boundary also involves the re alignment of the social strata within the community in terms of its core and periphery

Proceeding from such premises various scholars have contributed articles which address various facets of south Asian Islam in the modern period It is noted that quite early in history a socio intellectual hierarchy was established in south Asian Islam The ruling class consisting of Turks Afghans Persian and people claiming Arabic origin were considered the proper bearers of Islamic conduct and values The peasant converts of Indian origin related themselves to Islam through *pirs* (religious mystagogues) In other words the average Muslim was not expected to represent model Islami conduct However when the British captured power in the subcontinent the old order of society based on a strict separation of the *ashraf* (elite) and the *am log* (ordinary Muslims) could not continue In fact already in the 18th century when Muslim power began to decline revivalist and reformist movements emerged in different parts of south Asia These were founded by radical *ulama* (Muslim priests) who strove to mobilise the peasant masses for militant resistance against non Muslim political powers and oppressive landlords In this process some segment of the Muslim masses received a more orthodox schooling in Islam However the vicissitudes attended upon the fortunes of south Asian Muslims in the present times have added further intricacies in matters of belief and practice

The book is divided into three parts Part one examines debates over institutionalisation of Islamic principles, part two looks at the changing idiom of political discourse and part three concentrates on the attempts of the Muslim community to define boundaries *vis a vis* others and in relation to competing Muslim groups

The first article in part one shows how experts representing two different orthodox Sunni schools of jurisprudence come to diametrically opposite conclusions regarding the cleanliness of dog saliva Both use similar jargon and techniques but come to conflicting decisions, one declaring dog saliva unclean and the other clean The second article examines the interesting discussion in pre partition Punjab on the conflict between customary law based on tribal traditions and the Shariat The third article deals with the process through which the followers of the Agha Khan the Nizari Ismailis abandoned the policy of concealing their true identity in Sunni society and declared their Shia credentials This transformation took place when their Imam the Agha Khan left Persia and settled in India in the 19th century As a consequence many Hindu and orthodox Muslim influences were shed and the community integrated around a more distinct profile of its own

Part two includes several articles One deals with the Muslim architecture of Sher Shah Suri (ruler of northern India between 1538 45) Another article concentrates on the important role that the Urdu language has played in modern south Asian culture The third article is perhaps the most interesting in this section The author Rafiuddin Ahmed traces the evolution of Islamisation of Bengali Muslim society Not until the 18th century did Bengali Muslim masses develop a distinct Islamic identity Previously conformity to Islamic standards was expected only of the upper class Bengalis most of whom claimed foreign ancestry Muslim revivalists mobilized the Bengali peasants for militant struggles Consequently these Bengalis developed strong associations with Arab Persian culture and drew away considerably from their Hindu past The creation of Bangladesh was a return to the Bengali identity this did not weaken the Islamic link

There are other articles examining social structure sects leadership patterns and the process of change affecting south Asian Islam and the Muslim community An article on Baluchistan discusses the peculiarities of the Zikri sect a minor mystical order of Shia leanings which has followers among Baluch tribes (most of whom are Sunnis) living along the Karachi coast

In part three the focus is on the several ways in which Muslims have sought to define their group boundaries not only in relation to other communities but also in relation to other Muslim groups An article on the culture of ethnicity in Pakistan deals with the prevailing images self images and beliefs among different groups in Pakistan and their identification with Pakistan Another article deals with the concept of honour among Oasis Balauchs There are some other articles too of an anthropological nature

The book provides information on a wide range of phenomena dealing with some aspect or facet of Muslim society and how Islamic values along with other cultural impulses affect its behaviour But this very quality of the book of being a collection of articles—mostly anthropological studies limited to case studies of tribal sectarian and ethnic groups and fractions—confirming the hypothesis that the Shariat does not

suffice as a legal and moral code to regulate Muslim behaviour renders it a loose compilation of data rather than a systematic all round study of the relationship between professed ideal and concrete behaviour of a selected group sect or tribal society. Putting together studies of social structure and codes of honour of remote Balauch and Pukhtun tribes and sects, the process of [illegible] of urban Muslim communities of Kanpur and Benares, the [illegible] of Bengali Muslim [illegible] Shiaism and Muslim [illegible] Sher Shah Suri and the [illegible] modern south Asian [illegible] and the plethora of other [illegible] the very broad hypothesis that south Asian Islam represents the tensions of both ambiguity and efforts to return to a more Islamic identity. That such were to happen in the life of Muslim peoples of south Asia should not be surprising to social scientists. What one learns is a little about many things but not enough to draw a more profound conclusion about the general behaviour patterns prevailing among Muslims or which are likely to emerge in the future. Partly this follows from the fact that the book does not place the discussion in the context of the macro changes affecting society at the level of state and politics and of socio economic change.

No Surprises

Sita Prabhu

Wage Employment Programmes in Rural Development: A Study of NREP in Gujarat by Indira Hirway, Oxford and IBH Publishing Co. 1986 Rs 60.00

THE provision of direct employment to the rural poor is increasingly being relied upon as a major instrument of poverty alleviation in the country. It is in this context that studies examining various aspects of the employment programmes implemented hitherto assume considerable significance. The focus of the book by Indira Hirway is mainly on the problems concerning the planning and implementation of the National Rural Employment Programme (NREP) at the district and taluka levels in Gujarat.

The book begins with a brief discussion on wage employment programmes in the process of economic development in general and is followed by a sketch of the origin and contents of NREP. The performance of the NREP is examined with respect to six selected districts in the state mainly on the basis of secondary data collected from the administrators of the programme at various levels.

The study reaffirms certain well known shortcomings of the NREP such as its weak planning component, lack of co-ordination among various agencies implementing the programme and the non durable nature of assets created. The sporadic nature of employment provided as well as the non adherence to minimum wage norms also corroborate the experience of the programme in other regions. The book thus does not contain any surprise for the reader. However, a few interesting points are raised which the author unfortunately does not pause to discuss.

An issue of fundamental importance is the criterion used for allocation of NREP funds among districts and talukas. According to the official guidelines, 75 per cent weightage is to be given to the number of marginal farmers and agricultural labourers and 25 per cent to the incidence of rural poverty. In the absence of data regarding the population below the poverty line, the population of scheduled castes and scheduled tribes is to be considered instead. Hirway citing block level surveys conducted by the government of Gujarat states: "Studies have shown that the incidence of unemployment is not positively and significantly associated with the population of marginal farmers and agricultural labourers; on the contrary there is enough evidence that suggests that this association is negative and significant. Also there is evidence to suggest that areas with larger population of agricultural labourers and marginal farmers are relatively better developed. In other words the scheme of allocation of NREP funds is likely to allocate larger resources to those areas which are relatively developed and which have a smaller incidence of unemployment" (p 22).

Having concluded that the allocation criterion is faulty, it is surprising to find the author relying on the same criterion to judge the appropriateness of the allocation of funds to the districts and talukas. See for example the following statements:

> District wise allocation of NREP funds also seems to have been done almost according to the guidelines. Consequently the districts with larger population of SC ST and of marginal farmers and agricultural labourers have got as well as spent greater NREP funds. This is definitely worth noting.
>
> The allocation of funds below the district level however has not been very satisfactory. Our study showed that this allocation did not have a positive and significant association with the distribution of the population of the weaker sections (p 57).

Another interesting point that is raised is with respect to the importance given in the guidelines to the identification of felt needs of the people and the role of panchayati raj institutions in this regard. Hirway argues that the felt needs of the people may not always reflect what is desirable for the community. Secondly given the stratified nature of Indian villages, it is very likely that only the needs of the influential groups get articulated. Under these circumstances, the author feels that the emphasis given in the guidelines that works suggested by panchayats and people's representatives should be considered for implementation under NREP is not desirable. Hirway's suggestion that "... a beginning should be made with beneficiary participation rather than with representative participation" (p 103) is unexceptional.

Another interesting issue of wider implication is the role of labour co operatives in executing NREP works. From the comments of the author scattered in various places, it is possible to gather that wherever labour co-operatives were operating workers were provided with continuous employment. This is in sharp contrast with the intermittent nature of employment provided in other NREP works executed in the same district. However, the wage rate was relatively low in the works taken up by labour co operatives. More intriguing is the fact that though labour co operatives were initially allowed to execute NREP works they were later banned. Hirway states that "... the use of labour co operatives was permitted by the end of the first year on the ground that these are co operatives of the workers who would work in NREP works. A number of labour co operatives took up NREP works in the six districts. The weaknesses of such co operatives, however surfaced after some time and the co operatives were banned in the second year" (p 80). Readers looking for an explanation of the nature of the weaknesses would find their search futile as no further elaboration is provided.

Finally it is surprising that the author has not deemed it fit to reveal the identity of the six selected districts and talukas on which the conclusions of the study are based. While one can understand the labelling of districts talukas alphabetically or numerically for ease of exposition a reader would certainly expect to know the names of the districts talukas selected for study in the text or atleast in an appendix. The absence of such identification would certainly deprive other researchers in the field the use of the data presented in the book.

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Micro-Ideology and Micro-Utopia in Khalapur

Changes in the Discourse on Caste over Thirty Years

Pauline Kolenda

The caste system has been a major topic for discourse in India throughout the nineteenth and twentieth centuries. In the mid-50s the author spent sixteen months on an ethnographic study of Khalapur, a village in western Uttar Pradesh. The issues then were educational and occupational access for low-caste and untouchable people and other practices of untouchability. The villagers could not conceive of a society that was not caste-organised and equal treatment was a foreign urban Congress Party issue. Has the discourse about caste changed in the last generation? If so, how?

> It is not men in general who think or even isolated individuals who do the thinking but men in certain groups who have developed a particular style of thought in an endless series of responses to certain typical situations characterising their common position [Mannheim 1936 3]

> In this village people are in favour of the caste system. They think it is a good way of ordering society. It was a teaching of their forefathers to think in this way. The feeling is still strong among the villagers although the government is very much against caste and preaches against it (a Rajput elder of Khalapur 1955)

THE topic of ideology has been treated and defined in many ways over the past century. Marx and Engels gave the term a definite political content: ideologies were world views of social classes that explained and justified the superiority of the social class that made up its main adherents and justified the necessity for other social classes to accept *that* social class's definition of things. An ideology masked the self interest of its main adherents from the audience: those the adherents were interested in taking advantage of but whom they also hoped would accept their hopefully not too-feeble excuses.

But ideology has been defined in other ways. Louis Dumont (1970 1978) the French social cultural anthropologist defines ideology as the principal values of a society and his units of study are entire nations or even large portions of continents: so Dumont can write about the hierarchical person of the east meaning primarily India and the individualistic person of the west meaning primarily France. In such a definition of ideology I am reminded of Ruth Benedict (1934) who characterised a culture as pervaded by a dominant drive that shapes all its institutions--the Zuni and other Pueblo Indians were Apollonian, the Kwakiutl were megalomaniacal paranoids, the Plains Indians were Dionysian—except that while Benedict saw styles, rather like styles in art. Dumont sees core ideas, kernel assumptions. Dumont rejects a multi-ideological approach [Dumont 1970 263-64], a society has a single global ideology, he asserts and that is what he is interested in. In the singleness of the style or idea Benedict and Dumont are alike.

Both Marx and Engels (1948) and Althusser (1970) have emphasised the consistency there should be between the human relationships in the production of commodities and the teachings or ideologies promulgated in other institutions especially for Althusser churches and schools. Theirs is a kind of functional analysis that also looks for ulterior motive.

Max Weber unlike Althusser or Dumont raised the issue of the relationship between ideology and social and economic change. He was concerned with unplanned change as opposed to Marx and Engels (1948) who might be said to have been concerned with planned social and economic change purposefully brought about by the use of rather drastic measures. In relating the Protestant ethic to the development of capitalism Weber not only suggested that ideology must be consistent with the economy the relations of production but that changes in ideology precede changes in the economy [Gerth and Mills 1946 321]. Recently a historian of capitalism Chandra Mukerji (1983) has challenged Weber's interpretation agreeing that there were changes in ideology before the flowering of capitalism but that they were not ascetic in content as in the ascetic Puritanism backed by Weber, but rather luxury loving in a new consumption orientation diffusing from "the *nouveaux riches* the courts, and the aristocracy" [Appadurai 1986 37]. In this interpretation of the ideological changes preceding capitalism, Mukerji and other historians are following the lead of Werner Sombart (1967), rather than Max Weber.

Most interesting to me is the treatment of ideology by Karl Mannheim (1936) because he seems more than other theorists to address the empirical situation as I have found it. There is seldom one ideology among the members of a community. While Mannheim did not emphasise the multiplicity of ideologies, he did see that there might be a contention between ideologies. He called the established ideology, ideology, and the new challenging ideology, one advocating change, utopia, and he saw this contention as one between social classes. In Khalapur I do not find contention so much between higher and lower castes as between old ideology and new: the new being set by the Congress Party leadership in the central government in the 1950s and 1980s and by the Indian urban educated middle class in the 1980s. These new ideologies challenge rural people, especially the village intellectuals responsible educated and articulate male leaders.

Michel Foucault (1970 1980) has suggested that discourse within a society or a sector of a society changes over time. One of the topics for discourse in India has been the caste system. It has been a topic for discussion throughout the nineteenth and twentieth centuries. In this paper I can only treat the recent past but I do raise the question: Has the discourse about caste changed in the last generation? And if so how?

The major ideologue concerned with caste in the first part of the twentieth century was Mohandas K Gandhi. He made the issue of untouchability integral to the cause of independence from the British. The major change he advocated was the end of mistreatment of untouchables by higher castes. Bhimrao Ambedkar the author of the Indian Constitution himself born an untouchable Mahar saw to it that untouchability was outlawed in the Constitution of India [Joshi 1954] established in 1950. This document contains passages such as the following, "untouchability is abolished and its practice in any form is forbidden" (Article 17) "all citizens shall have the right to practise any profession or to carry on any occupation, trade or business" (Article 19 (g)), and "no citizen shall be denied admission into any educational institution maintained by the state or receiving aid out of the state funds on grounds of religion race, caste, language or any of them" (Article 29 (2)).

In the mid 1950s I spent sixteen months doing ethnographic fieldwork in a village of 5 000 people in western Uttar Pradesh, as one of a social sciences group from Cornell University.[1] I was particularly interested in the caste system and in untouchables. In 1958, my paper 'Change in Caste Ideology in a North Indian Village' was published. In

that paper I summarised the views of four older men of the village who were respected members of four different castes two of high caste and two of low One was of the largest landed patrilineage of the village Rajputs another was a wealthy shopkeeper and moneylender the third was the headman of one of the two untouchable sweeper colonies and the fourth was a leader of the untouchable Chamars most of whom are now mostly agricultural labourers

While I had interviewed a few men in considerable depth all four of them as well as others in a longer interview included in the publish[illegible] entitled [illegible] had an interview guide of questions (Appendix I) that I had each of them answer When I returned to Khalapur in 1984 to do a [illegible] year later staff [illegible] interviewed seven other men of different castes using the same interview guide The nine men whose [illegible] ideologies I will explore are from the Rajput Brahman Chamar Sweeper Washerman [illegible] Goldsmith castes Most of these men I also interviewed more broadly What I say do in the paper is my think about caste ideologies seem to have changed thirty years in the village of Khalapur In a longer work I hope to [illegible] several other aspects of [illegible] Khalapur

First however [illegible] Khalapur It is located in western Uttar Pradesh about 100 miles south of [illegible] a prosperous sugarcane area [illegible] 1954 the population was about [illegible] people in 1984 it was about 15 000 [illegible] dominant caste was and a Hindu [illegible] about 40 per cent of the population belonging to one or another of the minor [illegible] patrilineages of the traditional patrilineage [illegible] Pundir Rajputs Virtually all male Rajputs trace their descent from the four [illegible] brothers who conquered [illegible] Khalapur about 800 years [illegible] 1956 131] They own even after [illegible] abolition 80 per cent of the land and control all land The rest of the population lives in Khalapur at the invitation of the Rajputs No other caste seems to be as large as the Pundir Rajputs but there are a few hundred in each of the larger castes the Brahmans untouchable Chamars untouchable Sweepers and the Barber shopkeepers The other twenty five castes are smaller numbers of people they include Goldsmiths Barbers Carpenters and Blacksmiths Washermen Oil pressers and so on About ten per cent of the population are Muslim ninety per cent are Hindu

In the 1950s Khalapur was slated for change. Three important change factors had been introduced first it was one of the pilot villages for the new Community Development Programme that the government of India began in 1952 second partly as part of this latter programme and partly because a local man had become the deputy planning minister for the state of Uttar Pradesh sugarcane as a crop of the region received many catalysts in the form of agricultural programmes irrigation facilities, price-support to the farmer co-operative credit facilities thirdly a high school was established in Khalapur in 1949 The changes programmed have indeed taken place The amount of sugarcane grown in Khalapur has increased manifold and the money flowing to the large landlords from cane receipts ran by the 1980s into many crores The enrolment in the high school had increased over the years from less than a hundred boys in [illegible] to over 1 200 boys and over 300 girls in 1984

Many facilities have come to the village The number of shops has tripled but given the tripling of population that is about what we should expect However a bank was established a branch of the State Bank of India by the latter part of the 1960s later came a small hospital New to the village are three or four cinema shops None existed in 1954 Also [illegible] the bus service and the paved road [illegible] comes each way once a day but have drawn platforms called *bus stops* to go to the nearby town five miles away all morning and they return all afternoon We counted over [illegible] of them in 1984 The number of primary schools has increased from [illegible] and the enrolment in primary school has increased from 200 boys to 923 boys and from 40 girls to 543 girls

The intellectual level of the village is at its highest [illegible] among the masters who teach at high school and to some extent at the [illegible] teachers who teach in the primary schools as well as the government medical doctor [illegible] hospital not a villager There still no one in the village who speaks English with fluency although two or three of the primary schools claim to be English medium The high school consisting of grades [illegible] through twelve is not English medium but English medium

Many men have worked outside the village for years at a time especially Rajputs and some Chamars who have been in the military or in the police of the region Untouchable Sweepers have worked on the manual labour crews of various cities Others have worked in factories or shops in cities as well There are two nearby towns one four or five miles away the other eight miles away and many modern amenities are available in the towns including radio and TV shops tractor and lorry repair shops cinemas barbers who do fashionable cuts tailors who can stitch a three piece suit shops selling synthetic saris and terylene for sports shirts and so on There are no repair shops in the village although in 1984 there were about 80 tractors in the village and 40 television sets One of the most noticeable changes in Khalapur as between the 1950s and 1980s is the absence nowadays of very many bullocks Because tractors do the heavy ploughing bullocks are not needed and the male water buffalo has become the main draught animal drawing extremely full carts of cane from the fields to the sugar mill in the nearby town

In the mid 1950s I interviewed three Rajput elders, a Baniya shopkeeper, two untouchable Chamars and an untouchable Sweeper using the Caste Sanctions Interview Guide, reprinted in Appendix I Trying to understand the caste system from the point of view of the Khalapur villagers and using these village intellectuals as my sample for village ideology, I found that the Khalapur villagers spoke of the local caste system in terms of six binary pairs the *rāvā* (or *jemindar*) *rāvā* relationship the *khasgar lagdar* relationship, the *jajman* (or *jemindar* or *kirsan*)-*lagdar* (or *kamin*) the *kirsan hali* the *uncha nicha* system and the *bara chota* system [See Kolenda 1978]

Let me briefly suggest what was meant by each of these The *rāvā* is a chieftain or king and the *rāvā* is subject (pronounced as rye and rye-va) The elder Baniya (shopkeeper) explained

> For example if I have one or two bighas of land and I build on it a few houses then the people living there are rāvās The rāvā takes *begar* (forced labour) from the rāvā When the Chamar (untouchable leather and field workers) sat in rāvā on the land of *jemindar* (land holder) they had to do all sorts of work and they had little money and education

It was agreed by all both the Rajput rāvās and the non Rajput rāvās that Khalapur was a Rajput village and that Khalapur belonged to the Rajputs The other caste communities had all been invited in by the Rajputs and even though some might have been there for ten generations they still could be evicted at any time One of the ploys in enticing a community of Washermen or Weavers to live in the village had been the offer of house sites land upon which they could build their house It was well known to whom the land belonged which Rajput minimal lineage and the rāvā had the right to ask the rāvā to work for him he also had the right to the cowdung and other waste that might be composted as the rāvā accumulated it he also retained the right to take back the land at any time One of the rights which the rāvās attained with the passing of the U P Zamindari Abolition Legislation in 1952 was the ownership of their house sites the rāvā could no longer evict the rāvā

The *khasgar* is a master the *lagdar* is a servant one who fetches and carries (from the Hindi verb *lagna*) One of the Rajput elders used these terms in the following statement

> With growing cane, the khasgars profited They grew more cane and got more money Lower castes benefited because khasgars were rich and thus they employed more labour If the khasgars in a country are happy everyone else will be happy Even the shopkeepers in a city are dependent on the khasgars The khasgars produce the grain and sell it, and the rest of the world buys it

The core of a local village caste system is the exchange of services that go on between

specialists of different castes The second largest caste in Khalapur was and is the Chamars, once leather workers and now mostly agricultural labourers (*mazdurs*) Some of these, as well as men from other castes used to be *halis* ploughmen, who did the ploughing of a khasgar s fields as well as other land cultivation His wife a *haldan* did the grinding of grain and other heavy household chores for the khasgar s wife

Seven of the Khalapur castes were engaged in the *jajman kamin* (patron worker) more commonly referred to as *kirsan lagdar* (farmer servant) relationships These were the Washermen the Barber and his wife the Sweepers and their husbands the Potter the Carpenter and Water carrier The seventh the Brahman was never referred to as a lagdar but rather as a *purohit* a household priest he came to do *pujas* (religious offering to gods) within the women s quarters on almost two dozen Hindu holidays his wife sometimes helped in the jajman s kitchen and groups of Brahman women usually sang at weddings and birth ceremonies of the jajmans Payments to these lagdars varied but all received three *dharis* (about 30 pounds) of grain every six months Since each lagdar served several jajmans, they earned almost enough grain for their families in this way The Brahman had their own land the Water carriers had bits of land All the others were landless The Sweepers got daily mid day meals from their kirsans yearly sets of clothing food at the time of all festivities (religious holidays and life cycle rites such as marriages and birth ceremonies) All lagdars had the right to get fodder for their animals and tender leaves of vegetables to make cooked greens from the khasgar s crops and to graze their animals on the khasgar s fallow fields When we asked one Rajput elder if a Potter wouldn t be better off selling his pots for cash the Rajput elder listed for us all the sanctio is which could be brought to bear to make it clear to the potter that he should supply his khasgar with pots and not attempt to find other outlets for his product These included not allowing him or his family to defecate in the khasgar s fields or to graze their donkeys there or to let their donkeys drink in the canal going through the khasgar s fields

The *uncha nicha* system of castes the high low system refers to a system of dirt and pollution and involved rules for untouchables and lower castes both for keeping their distance, not touching higher castes, and not expecting the higher castes to accept food or water from them Chamars are *niche*, low because they are dirty In the *bara-chota* (big little) system the terms have to do with authority and the monopoly on physical force The *bari* castes command the *choti* castes, and it is their duty to use physical force to ensure obedience if necessary To a considerable extent physical force was threatened or used to ensure that the *choti* castes remained *nichi*, that is low and dirty (see Kolenda 1978 for more details)

The Rajputs in Khalapur very much fancied themselves to be just what their name means sons of kings They believed that their *dharma* their religious duty established at the first sacrifice of the Super man (*purusha*) was to rule and to protect their subjects as well of course as to conquer It was the duty of the other castes to follow their dharma whether that of the Brahman priest and religious scholar or that of a Potter or Weaver Society would remain in harmony with nature if every caste fulfilled its dharma The passage in the classic *Bhagavad Gita* which among other Sanskrit religious works teaches about dharma is

Better to do one s own dharma badly than the dharma of another well One of the Rajput elders whom I interviewed both in 1955 and in 1974 told me this story from the *Mahabharata* the great Hindu epic

> Dronacharya was a guru to the Pandavas and the Kauravas He used to teach them how to shoot the bow and arrow One day a bhil (a tribal) boy came there Drona taught only boys belonging to the high *kshatriya* (caste) and not boys belonging to a lower caste (or presumably to tribes people either) The bhil boy Eklavya Eklavya said that he would be a disciple of Drona and that he would practise with his bow and arrow One day there were only Pandavas and Kauravas who came there They aimed their arrows and he did too And the bhil boy defeated them When Drona heard this he was very upset that his pupil could be defeated He went to the bhil boy and said "Give me your right thumb" Eklavya said "Here it is" Then the bhil boy explained that he had made a Dronapuja and worshipped it and had prayed every morning Drona said "All right I am your guru but you have cut off your thumb and you will be known as a *eklavya* (a perfect teacher)" The bhil boy said "I would rather have him with a cut thumb" Drona said "Give me your right hand" Of course with cut off that thumb he would be unable to hold the bow and arrow so the boy gave the thumb The moral of the story is that some have to be Kshatriyas but only a Rajput

In the 1970s I [illegible] of Khalapur [illegible] of a belief in *jat dharma* (caste duty) and Rajput domination while the constitutional rights I saw as the Congress government's form of utopia an ideology promising fundamental changes in the social structure and I asked how four of the elders or Rajput or Brahman sweeper and the eldest untouchable Chamar elder [illegible] able Sweeper elder [illegible] thinking the contradiction

The caste ideology of an individual person is not a coherent consistent set of ideas it is composed of thoughts from here and there heard over the years in the discourse on caste as well as of observations of events going on around him or those in which he was himself involved The content for men of the same age and village is similar although like plaid cloth the pattern made by the various strands of ideas differ for each according to his experiences and his own caste s interests of sufferings Clifford Geertz has suggested that there are two kinds of theories of ideology interest theories and strain theories [Geertz 1973 201] Among men of different castes we may expect that the caste ideologies of high caste men are more likely to be interest theories while those of low caste men are more likely to be strain theories

The four men interviewed I arranged on a continuum with ideology at one end and utopia at the other The Rajput elder, Hukam Singh falls at the ideology end as the most conservative and Jivan Mal, the Banya falls at the other end as the most [illegible] the two untouchable elders fall in between Randhir the Sweeper closer to Hukam and Mithan the Chamar closer to Jivan Mal Let me turn to the ideologies of each of the men in turn

Hukam was son of the wealthiest Rajput [illegible] in the village His views [illegible] in the 1950s were the most orthodox of the four men He said

> It is written in the *Vedas* (ancient Sanskrit religious hymnals) that there should be par[illegible] for each caste There is one for Brahmans and one for Shudras (servant [illegible]) You believe in your books and act [illegible] what your ancestors tell you, that is good If you don t your *karma* has fallen One s *karma* is to perform the occupation of one s caste The occupation of the Rajput is to help the poor and to protect the [illegible] to take other people's [illegible] If their karma falls they do many bad things If a Chamar does good things now he will be born in a higher dharma Those Rajputs who do bad now will be born in Chamars and sweepers

Hukam uses arguments of the *Bhagavad Gita* [illegible] bound to the duty of one s caste But [illegible] will occur otherwise

At the other extreme from Hukam at the opposite end of the continuum is Jivan Mal Jivan Mal the Baniya had been active in Congress Party politics in the 1930s Of the four men he was the most educated, having eight years of schooling while Hukam had perhaps four as had Randhir the sweeper Mithan Chamar had had no schooling Jivan Mal knew the Congress programme against caste well He said,

> The Congress gathered Chamars Muslims and all together as one in order to bid farewell to the British No single creed alone could have done it That was the basis of the whole thing equality Mahatma Gandhi was a Vaishya and Nehru was a *pandit* (Brahman) They might have thought, "We are like paparas to the untouchables", but [illegible] God is with those who d[illegible] There should not b[illegible]

Jivan Mal was a Gandhian Like Gandhi he tried to live his life according to the four *ashramas* and when we knew him, he was in the third ashrama he was a *vanaprashta*

one who had retired from ordinary life to devote himself to religion He explained that he and his wife were like brother and sister he had given up sexual activity Consistent with his religiosity and his Gandhianism was his strict vegetarian diet but inconsistent with his Gandhianism was his inability to consort with untouchables, to be near them or to take food or drink *from* them or *with* them It is not surprising that Hukam Singh Rajput the conservative also disapproved of such Congress social intercourse with untouchables Hukam said

> Now we have started dining everywhere At first we ate everywhere except at the Banias and the Brahmans Even there we ate only fried (*pakka*) food Ever since the Congress came over the big leaders eat at the Chamars and the Sweepers What an others do I am a modern man I take both boiled (*kachha*) and fried (*pakka*) food at the Banias and the Jats (high agricultural castes) and at the Banias We now even eat at the Goldsmiths Even if we object what are we to do

So Hukam indicated that he had relaxed his personal prohibitions on eating with some other higher castes but he could not bring himself to approve of eating and drinking with untouchables and low caste people Aware that the old ways were being challenged he remains unconvinced saying

> The caste system is necessary As long as the old people live caste will not disappear But the hearts will become badly mixed and the Rajput will keep a Chamar woman and the Chamar will keep a Rajput woman

At the other end of the ideology utopia continuum Jivan Mal though unable to bring himself to consort with untouchables nevertheless condemned the caste system

> [The caste system] is a way of destroying the world Since the time that caste came to India India has been under foreign rulers If the Rajputs are ruling they keep untouchability relations with the Sweepers and the Chamars So in time of trouble they will not help the Rajputs Now we have fallen from our *varna* by non unity especially through untouchability

Jivan Mal's ideology though strongly Gandhian and anti caste nevertheless included a strand of nostalgia for the old days when the caste system operated ideally as it should In those days he said

> The Brahmans had hold of the whole world They were the protectors of the country India was considered the centre of learning Wherever an Indian walked people would pick up the dust and place it on their foreheads It was a land of gods

Hukam's ideology was consistent Again aware of the challenge of change with respect to education and middle class jobs for untouchables he again rejected it saying

> [In the past] they were not prevented from being educated simply because they lacked natural ability but because the leaders would not have liked it Now the government says all should become one. We are afraid of that

FORM II A

THE MRTP ACT 1969

[See Rule 4 A (1)]

Form of general notice to be given to the members of the public [illegible] to the Central Government under sub section (2) of Section 2[illegible] of the Monopolies and Restrictive Trade Practices Act 1969

NOTICE

It is hereby notified for the information of the public that INDOFRENCH CHEMICAL COMPANY A DIVISION OF MODIPON LIMITED Nirlon House Dr Annie Besant Road [illegible] BOMBAY [illegible] proposes to make an application to the Central Government in the [illegible] Affairs New Delhi under sub section [illegible] of Section 2[illegible] of the Monopolies and Restrictive Trade Practices Act 1969 for approval of the establishment of a new unit [illegible] the proposal is as under

1	Name and address of the applicant	INDOFRENCH CHEMICAL COMPANY A Division of [illegible] Limited Nirlon House Dr Annie Besant Road [illegible] BOMBAY [illegible] Regd Office [illegible] Modinagar [illegible]
2	Capital structure of the applicant [illegible]	[illegible]
	Management structure of the applicant [illegible] the names of the directors [illegible] Managing Director Director and Manager [illegible]	The [illegible] of the Board [illegible] are as under Mr [illegible] Mr [illegible] Mr [illegible] Mr [illegible] Mr [illegible] Mr [illegible] Mr [illegible]
4	[illegible] the proposal [illegible]	Nil
	[illegible] undertaking	[illegible]
6	Capital structure of the proposed undertaking	The proposal [illegible]
7	In case the proposal relates to the production storage supply distribution marketing or control of any goods articles and class	
	I Name of goods articles	I Proposed licensed [illegible]
	1 Fatty Liquors	6000 MT per annum
	2 Leather auxiliaries	3000 MT per annum
	3 Synthetic Tanning Agents	3000 MT per annum
	III Estimated annual turnover	About Rs 4 [illegible]
9	Cost of the project	About Rs 1[illegible]
10	Scheme of finance indicating the amounts to be raised from each source	Internal resources [illegible] currency loans from [illegible] institutions debentures deposits

Any person interested in the matter may make a representation in duplicate to the Secretary Department of Company Affairs Government of India Shastri Bhawan New Delhi within 14 days from the date of publication of this notice indicating his views on the proposal and stating the nature of his interest therein

Sd
(J K GUPTA
SECRETARY

Dated this Fourth day of August 1989

Now we can't get anyone to work for us. If they are all clerks and gentlemen, who will plough our fields? Even now it is hard to get labourers. It used to be you could get a man for five rupees to work for you. Now they ask thirty or forty. (We asked if one could pay less.) How could we do that? The government helps them. If we try to make them take less, they will sue in the courts.

Hukam expected the worst in the future just as the *Gita* and other religious sources have taught, the mixture of castes would lead to destruction of the world which would necessitate the coming of a saviour to put things right. He predicted:

When the Congress rule ends, there will be a rule of devils (*rakshas*). The untouchables and the lower castes will rule, and they will trouble the Rajputs and Brahmans. They will then be kept low. Then (god) will come. During the rule of devils there will be no caste, and there will be no dharma and karma. Then *Kalki avatara* (god in man's form) will be born. Then he will start castes all over again.

The untouchable elder closest to Jivan Mal in his views was Randhir the Sweeper. He also approved of the Congress goal of equality, but in 1955 he had begun to doubt its attainment. He said:

The Congress people said that we are all equal. So why don't they give us equal treatment? For seven years they have been in power, and they have done nothing. Untouchability still goes on. These Congress people are not good in their hearts.

He was especially doubtful that caste discrimination would end in the village. He remarked:

It is written in books now that they must let everyone take water at the pump, but they do not. We have to live in the village, so we don't want to make reports against people and turn them against us.

His helplessness in the village where the dominant Rajputs continued to hold sway in the traditional ways is voiced in this passage:

We consider the Rajputs to be our kings. Nobody can do anything against the kings unless they unite against them. People don't unite because they are weak. We are poor and dependent upon the Rajputs for animals, food, and everything.

Unlike the untouchable Randhir Sweeper, untouchable Mithan Chamar did not approve wholeheartedly of the Congress and Gandhian attempt to do away with the rules of untouchability. He was already ingrained concerning the frequent exploitation of Chamar women by Rajput and higher caste men, now if there were not restraint from the feelings of disgust for untouchables, the untouchable women would be troubled even more. He, like the other three men, idealised the past when the local caste system worked well. He said:

The Rajputs and low caste people should be like parents and children. It used to be that if anyone else troubled us, the Rajputs would protect us. Now they themselves oppress us.

That the higher castes in Khalapur have tried equality and rejected it, is indicated in Mithan's account of the first meeting of the new democratically elected village council. He was an untouchable member of the council. He said:

When India got its independence, there was an order from the higher authorities. This is when the elections were being held and then people started living more in unity because of that order for about six weeks. They even started letting us take water from their wells in the fields, and during council meetings all fifty two members used to sit on cloths spread on the ground. Then about three months after independence Rajputs started sitting on cots and made the lower castes all sit on cloths on the ground. Still later even the cloths were not spread and the old state of affairs was resumed, with Rajputs and higher castes on the cots and lower castes on the bare ground.

So Mithan, like Randhir, held little hope that the structures of untouchability would be relaxed in Khalapur.

My analysis of the four older ideologies in the mid 1980s had six conclusions.

First, enthusiasm for equality had dissipated.

Second, the concept of progress was strikingly lacking. All four men looked back to golden days of the past, either when Rajputs were rulers (for Hukam) or when Brahmans ruled (for Jivan Mal) or when Rajputs were parental toward their servants (for Randhir Sweeper and Mithan Chamar).

Third, three of the elders, Hukam Rajput and the two untouchables, felt victimised and helpless.

Fourth, all set conditions for the future success of the government. Jivan, the merchant, and Randhir Sweeper required inter caste equality. Hukam Rajput required power for Rajputs. He and Mithan Chamar predicted a rise of evil manifested in inter caste sexual relations and inter caste marriages that would end in the destruction of society and the coming of a saviour to set things right again.

Fifth, no one except Hukam Rajput any longer expected people to follow the dharma of caste occupation.

Sixth, none could envision a social order free from restrictions on inter caste social intercourse.

Clearly the issues of the 1950s were educational and occupational access for low caste and untouchable people, and practices of untouchability like using wells, sitting as equals or sitting hierarchically, giving and taking of food and water, sharing waterpipes together and so on. My feeling in the 1950s was that villagers in Khalapur could not conceive of a society that was not caste organised. Equal treatment was a foreign urban Congress Party issue. Occasional politicians came and advocated and even demonstrated equality, but rural Rajputs could ignore it and untouchables had to suffer non enforcement of their rights if they wanted to continue living in the village.

In 1984 two of the four elders were still alive, Hukam Rajput and Mithan Chamar, and among other conversations I had with each, I reinterviewed them with the same Caste Sanctions Interview Guide. In the 1950s the impact of education upon Khalapur was slight, but over the past thirty years all of the men whom I interviewed, four older men and five younger ones had sons or grandsons who were high school-even college educated, or were highly educated themselves. To replace Jivan Mal, I interviewed Durga Lal, a Baniya, a man in his late fifties or early sixties. When I asked him about the origin of the caste system he said:

Ever since the world has been populated there have been jatis. When I asked, Was there a creator? he said, A *sciencewala* can tell you.

Durga Lal, who had eight years of education, has six daughters and four sons. Four of the daughters studied to eighth class, one to twelfth, and the youngest was in tenth in 1984. Durga has one son who finished twelfth and works in his shop. The other three sons work outside the village. One has a BSc degree, one is an engineer, and one is an MA science teacher, perhaps the *sciencewala* Durga had in mind. Durga in fact has lots of *sciencewala* in his family.

The impact of education has changed the discourse in the village from phantasies about the past to expectations of the future. *Parivartan*, change, is the word on the tongues of the young high school and college goers, of the teachers and office workers.

Four of those I interviewed in 1984 were aged late fifties to eighties. One of these was Durga Lal, merchant who had eight years of education, unusual for a man in his late fifties or early sixties, but who had, nevertheless, lost confidence in the worth of his own opinions, saying, "I don't have much education." The eldest of the four older men interviewed was Raghunath, a Goldsmith I remembered well from thirty years ago. Raghunath is one of the few I spoke to who still talks about the etiquette of untouchability. When we asked, "Is *jat pat* (caste system) a good or bad way of ordering society?" he said, "How can I tell? It is from before (*pahale se*). Actually it is good (*achchha hai*). The lower castes that visit me cannot sit on my cot, but sit on the ground. The Sweeper, Barber, Washerman, Weaver, Oilpresser and Tailor."

Hukam Singh Rajput, the conservative interviewed in 1955, now in his seventies, had changed his views drastically since thirty years ago, saying that caste is rotten, it is not right, but his statement seemed perfunctory, especially as he immediately went on saying, "The difficulty is that you have to have different *hukkas* (waterpipes)", and he reminisced about the old days when he had no place to stay or to eat when he had to spend the night in a nearby Chamar village.

One of the three teachers whom we interviewed, a Rajput schoolmaster in contrast, said that the caste system was a bad way of order society. He then commented, "In some

families now *achuts* (the unclean that is untouchables) can prepare food and serve it prepare *hukkas* for *chaudhuris* (the important men) They can sit on our cots

But the issues in the discourse on caste have changed No longer are the issues of access for facilities inter caste etiquette and untouchables rights to job and education These changes have been absorbed When we asked Durga Lal Do you know of some castes advancing? What do you think of a Chamar teacher or a nai (Barber caste) doctor? he said I can't tell but you know everything is being done for these (the untouchables) to bring them up We asked "From the village?" Durga Lal did not reply but his son who works in the shop said "From the government" There are now untouchable teachers and *babus* (clerks) living in the village People now live with the ideal of equitarian etiquette even though they feel uneasy with it and probably do not practise it But the issues now are new issues in a new discourse on caste These are inter caste marriage equitarianism of caste as a social system and the expectation of social change

When I began to ask Hukam Singh Rajput the list of questions on the Caste Sanctions Guide he launched immediately into the issue of inter caste marriage As a man now in his seventies or eighties he still accepts the idea that castes are different species Within inter caste marriage, he said "The offspring will be changed Like a donkey mate with a horse a mule is born not a donkey

Raghunath Goldsmith said that inter caste marriage simply isn't done One must marry in one's own caste

Mithan Chamar also now in his seventies said however that he wouldn't object to a Rajput woman marrying a Chamar man but he exclaimed the Rajputs would object!

Among the younger men those in their thirties to fifties however attitudes are different from those of the elders except for the untouchable Mithan Chamar who agrees with the younger men all of whom pronounce jat pat a *kharab* (rotten) or *bahut bura* (very bad) way of ordering society The young men are a Rajput high school teacher a Baniya school teacher and an untouchable Sweeper primary school teacher One is a Water carrier by caste who failed tenth class as a boy, he works as a *chaprasi* a peon in the high school He is seeing to it that his son is educated having had a study room built on the roof of their small compound for the boy's sole use And the fifth is one of the first educated men among the untouchable Chamars a man we knew as a youth in the 1950s who got his education under very difficult circumstances in the late 1930s and 1940s he and the three other untouchable boys in the school had to sit separately from the others and were prohibited from drinking at the school pump, his father suffered periodic beatings by high caste men and was made to do unpaid labour because he kept his son in school

FORM II A

THE MRTP ACT, 1969

[See Rule 4 A (1)]

Form of general notice to be given to the members of the public before making an application to the Central Government under sub section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969

NOTICE

It is hereby notified for the information of the public that INDOFIL CHEMICALS COMPANY A DIVISION OF MODIPON LIMITED Nirlon House Dr Annie Besant Road Worli Bombay 400 025 proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under sub section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the establishment of a new unit Brief particulars of the proposal are as under

1	Name and address of the applicant	INDOFIL CHEMICALS COMPANY (A Division of Modipon Limited) Nirlon House Dr Annie Besant Road BOMBAY 400 025 Regd Office Hapur Road Modinagar [illegible]	
2	Capital structure of the applicant organisation	Equity	Preference
	Authorised	[illegible]	[illegible]
	Issued subscribed & paid up	[illegible]	[illegible]
3	Management structure of the applicant organisation indicating the names of the Directors including Managing/Whole time Director and Manager if any	The Company managed by the Managing Director under the overall superintendence of the Board of Directors Names of Directors are as under	
		Mr B Lal	Chairman
		Mr K N Modi	Director
		Mr K K Modi	President Managing Director
		Mr M K Modi	Vice President Managing Director
		Mr [illegible] Doyle	Director
		Mr [illegible]	Director
		Mr [illegible]	Director
		Mr [illegible] Subbaiah	Director
		Mr M L Modi	Director
		Mr Prabhat Kumar	Director
		Mr S K Modi	Director
4	Indicate whether the proposal relates to the establishment of a new undertaking or a new unit division	New Unit	
5	Location of the new undertaking Unit Division	It is proposed to locate the new undertaking in the State of Maharashtra preferably in a notified backward district area	
6	Capital structure of the proposed Undertaking	The proposal to be implemented by the existing Company whose capital structure is given in item 2 above	
7	In case the proposal relates to the production storage supply distribution marketing or control of any goods articles indicate		
	I Name of goods/articles	II Proposed licensed capacity	
	1 Synthetic Resins	4000 MT per annum	
	2 Plastic Additives	2000 MT per annum	
	III Estimated annual turnover	About Rs 26 00 Crores	
9	Cost of the project	About Rs 5 81 Crores	
10	Scheme of finance indicating the amounts to be raised from each source	Internal resources rupee and foreign currency loans from institutions and debentures/deposits	

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

Sd/
(I K GUPTA)
SECRETARY

Dated this Fourth day of August 1989

Here are these younger men's comments on inter-caste marriage

(1) The Rajput high school teacher said Some people say you should not marry in other castes If it happens by chance, they become angry With an educated person an educated bride and groom if they do so I think in society it is not thought so bad Our K S [the late principal of the high school, an outsider, a government—appointee, but a Chauhan Rajput and principal for a quarter of a century]—his elder son married a girl of Kayastha caste When K S and his elder brother came to know they were happy they did not object

(2) The Baniya school teacher said I don t think it wrong but *samaj* (society) does not accept it Because of social pressure, even if one wants to marry a son or daughter out of caste one cannot Men of one s caste brotherhood apply such pressure on any of their caste people who try to marry into another caste those who do so have to give up their own caste In this village there were such marriages long ago One such family was thrown out of our caste for a long time All recognised them as people among whom an inter caste marriage had taken place A S[a neighbour] his grandfather [father s father] married a Sweeper woman He defied his caste brotherhood He just brought her and kept her He had had *pheras* [been properly married] with a Rajput woman He kept both women at once They lived separately At first he kept the Sweeper outside and then in the cattleshed She was never in the women s quarters of his family

Then four years ago a Rajput boy here married a girl whose caste is not known We presume she is a Chamar He is a supervisor in a factory in G [a city in the district] He is not allowed to come into the village nor does anyone go there Two months after marriage he came with his wife They let him stay the night only then sent him away next morning '

(3) Ramlal the Watercarrier caste school peon said I would like people of different castes to marry but that is my own individual idea I wouldn t mind my son marrying into some other caste but I have relatives who would object

(4) Tirlok the untouchable Sweeper school teacher said That is the best thing I am not averse to that I would like that so that all *jats* (castes) are broken up Under Sanjay[f] they started a movement—if a lower caste marries a higher caste, the couple would, be given presents by the government'

Thus, these men represent a range of opinion but inter-caste marriage is still something outside, something that might be done by educated people in the city, adovcated by the government in the city, but not yet something that might be acceptable in Khalapur But this was very much the status of egalitarian inter-caste etiquette and equal rights to jobs and education for untouchables in the 1950s

I was very much surprised at the unanimity among the seven younger men against caste as a system, among the older men Mithan the Chamar joins them saying It is harmful (*nuksan phaida nahin*) Each caste keeps away from the other [We would it be better if they did not keep separate?] Yes, there would be more love (*prema*) if they were not so separate

As mentioned above even Hukam Singh reluctantly says the system is *kharab* and *thik nahin* (rotten and 'not right) Nowadays only very elderly folks like Raghunath in his eighties can still say the system is good and men in their sixties like Durga Lal may just hold their tongues

In the 1950s I felt Khalapur villagers could not conceive of any different social system To quote the remarks of the younger men

(1) The Rajput high school teacher said caste was a bad way to order society and he went on as mentioned above about untouchables even serving food and the *hukka* to high caste people He added untouchable Sweepers and Chamars are well educated I had a Sweeper class fellow who is in the central District administration military office (as a lawyer) He goes to the *pradhan s* (village headman) and *chaudhuri* (important man) houses He takes tea with us (Rajputs)

(2) The Baniya school teacher pronounced the caste system kharab He said According to my views it is wrong Every human being was created by a creator (*us*) It is a *nuksan* (a loss or harm) to a human being to think of another as lower than himself because of his work

(3) The Watercarrier caste school clerk also said the system was kharab going on to say, We are all human beings A man should be treated like a man There is difference only according to work

(4) The Chamar educated ' first also said the system was kharab saying Among human beings God made all of the same blood so why this difference between one and another

(5) The untouchable Sweeper primary school teacher was the most impassioned in his response to our question Is the caste system a good way or a bad way of organising society? He said it was very bad Our country cannot progress because of this Indira Gandhi is fighting against it I am as educated as a Brahman and Rajput I read religious books I have education and give education Yet only under government pressure will a Brahman eat with us In his heart, he thinks, 'He's an untouchable Sweeper!' Indira Gandhi is against it wants rid of it, so the country can go forward

The species kind of thinking done by Hukam is rhetoric of a past discourse on caste. Ideas about equal etiquette and equal rights are becoming ideology in Khalapur The discourse concerning inter-caste marriage, the questioning of caste as an entire system, the expectation of change, are parts of a new utopian ideology

Appendix I

Caste Sanctions Questionnaire

1 What is the origin of the caste system? How did it start?

2 What is the basis of the caste system? How was it that people doing different work were divided into castes? How was it when there were four varnas originally there are now thirty six castes? How did *chutchut* (untouchability) come about?

3 Is *jat pat* (caste) a good way or a bad way of ordering society?

4 Do you agree or disagree that one s virtue depends on fulfilling one s own caste s duties, not on doing the duties of another caste?

5 What do you think of people who do not not their caste s work but do some other kind of work? Such as a Chamar school teacher, or a Dhobi (Washerman) doing farming or a Nai (Barber) doctor?

6 Is it is wrong to do work which is not your own caste s work? If you don t want to do your own caste s work is that wrong? What advice would you give to a member of your caste who wanted to do some other work?

7 What is the origin of untouchables? How did they get started? Why is it bad for people of different castes to marry? Who were the ancestors of the untouchables?

8 Do Rajputs and Brahmans have high positions because of their good *karma* in past lives? How did their high position come about?

9 Do you agree or disagree

(a) The highest duty of the Shudra is to serve a Brahman

(b) Killing a Brahman is the worst crime on earth

(c) A Brahman be he ignorant or learned is a great divinity

10 What is *karma*? What is *dharma*? How are *karma* and *dharma* related to caste?

11 Why are some castes lower than others? Are some castes lower because they allow widow remarriage?

12 What would you do if your Nai (Barber) or Bhangi (untouchable Sweeper) refused to work for you?

13 Is it necessary for one s *izzat* (honour) to have a Bhangi? a Brahman? a Nai? a Dhobi? a Badhai (Carpenter)? a Kumhar (Potter)? Would you give up your Bhangi if you no longer needed him?

14 Is your own position in the caste system due to past deeds? Due to past deeds in past lives?

15 What do you think of various castes trying to improve their position?

Do you know of any caste groups trying to improve themselves by taking up the wearing of the sacred thread? by giving up widow remarriage? in other ways? giving up meat?

Notes

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2 The figures on high school enrolment were copied from the school records by Shyam sher Singh a high school teacher

3 The figure on primary school enrolments for 1955 are taken from Minturn and Hitchcock 1966 91 The figures for 1984 were collected by a research assistant Deepika Anand

4 Hukam Singh made reference to the same story in 1984 but then he only said that Dronacharya had taught Arjun the Pandava warrior hero of the *Mahabharata* one of Dronacharyas pupils referred to in the 1955 story In 1984 he did not mention the bhil boy or his thumb

5 The *ashramas* are the four stages of life which Hindu religious law books prescribe for upper caste men For one quarter of his life he should engage himself in religious study with a guru For one quarter of his life he should be a married householder raising children For one quarter of his life he and his wife should retire to the forest and pursue religious ends this is the *vanaprashtha ashrama* For the last quarter of his life he should be a renouncer beg for his living and seek union with the absolute (Basham 1954 158 59)

6 Sanjay Gandhi who died in 1980 was the younger son of prime minister Indira Gandhi During the 1970s he was head of the Congress Party s youth organisation and he worked for many social and economic reforms including abolition of caste abuses Here Tirlok refers to the newspaper reports of government approved weddings between people of different castes

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American Forestry Professionalism in Third World

Some Preliminary Observations

Louise P Fortmann
Sally K Fairfax

The inflexible technical professionalism arising out of the American forestry tradition's commitment to comprehensive large scale planning is one of the prominent reasons for the failure of international forestry projects, particularly in developing countries

Rigid adherence to the fundamental tenets of professional forestry - technical expertise, macro level planning, promotion of commercial fibre production and a narrowly biological perception of forestry - has led to a blinkered world view that ignores relevant social factors. This paper pleads for a re-evaluation of this tradition as a precondition for the success of forest development projects.

Introduction

ETHNOCENTRISM and western biases have long been identified as sources of inappropriate and unsuccessful development efforts. Robert Chambers (1981) applied these more general lessons to professional culture in his discussion of the effects of the biases of urban based professionals on rural development projects. Chowdhury (1982) articulated the centre of this concern with her statement that experts and their knowledge often have built in biases and assumptions which need to be re-examined in relation to the new situation and people concerned.

Forestry offers an interesting case study of professional ethnocentrism and its adverse effects. The ideology of renewable resource management is so comprehensive, so explicitly preached and has, for a long period of time, been so fervently adhered to that it provides a particularly useful focus for this type of inquiry. This essay takes a preliminary step toward evaluating the impact of the forestry profession's much discussed ideology [Behan, 1966, 1975, 1977; Gould, 1964; Hays, 1960; Kaufman, 1960; Twight, 1983, 1984] on development projects.

Over the last decade forestry projects have emerged as an increasingly important component of international development projects. Rising amounts of international donor money and host country budgets are being applied both to the international shortage of fuelwood and to the apparently increasing rate of deforestation with its concomitant evil of erosion [Braatz, 1985, Foley and Barnard, 1984]. Yet many forestry projects have been viewed as failures or as socially harmful [Foley and Barnard, 1984, Hammer, 1982, Mnzava, 1983, Shiva et al, 1984, Fortmann, 1988]. These failures and harmful effects have many causes. This paper argues that the American[1] forestry tradition contributes to them. The tenets of the profession emphasise a kind of technical professionalism which appears to leave practitioners ill-prepared for work in the developing world. It points to regularities in forestry orthodoxy which appear related to implementation errors which American foresters (and third world foresters trained in American institutions) are likely to make.

We are not so resolutely reductionist as to argue that the culture of American forestry 'causes' implementation errors in third world settings, nor do we pretend that foresters are uniquely liked to succumb to trained incapacities. All professionals are trained to view the world in characteristic ways which will enable them to define problems in terms of solutions that they are qualified to apply. Nor are we arguing that foresters are basely motivated in believing that their skills and insights will help to alleviate resource mismanagement and human suffering. Nor do we question the commitment of individual foresters to improving the human condition. We do, however, believe that foresters could be trained so as to minimise negative effects of the profession's catechism. Finally we believe that those who work with foresters may find it useful to have some insight into the principles of the faith of forestry.

For the present discussion, we must put some boundaries on our generalisations. We will therefore simplify our argument by asserting that the operative tenets of American forestry professionalism are defined by values which characterised the progressive era. Those early decades of this century are commonly and appropriately associated with the ascendancy of Theodore Roosevelt and Gifford Pinchot. Largely as a result of their efforts, the forestry profession was imported from France and Germany to the United States [See Gould, 1964; Behan, 1975] became a national crusade, and adopted the durable tenets which still shape it. Those remnants of the crusade often create difficulties for foresters who need to understand, evaluate or work in developing countries.

Section II of this paper examines four features of forestry's progressive era heritage. Its primary tenet is a commitment to technical expertise as the goal and criterion for public and private decision making. From it arise three other principles: (1) the tenet of large scale comprehensive government planning for resource management; (2) the related doctrine emphasising fibre production for commercial operators; and (3) the view of forestry as a predominantly biological undertaking. Section III of the paper will discuss the implications of such professional ideology in the growing field of forestry for development. We will argue that it puts the average American trained forester in the third world at a disadvantage when trying to discern (a) who is actually practising forestry; (b) to see what uses are made of what trees; or (c) to understand the rules which govern the use and allocation of resources including trees.

II

Progressive Era Tenets and Contemporary Blind Spots

Samuel P Hays (1960) *Conservation and the Gospel of Efficiency* is so universally acclaimed that we feel no qualms in relying primarily upon it here for a definition of the major planks in the forestry profession's intellectual infrastructure. Hays has described the progressive conservation movement as follows:

> The broader significance of the conservation movement stemmed from the role it played in the transformation of a decentralised non-technical loosely organised society where waste and inefficiency ran rampant into a highly organised technical and centrally planned and directed social organisation which could meet a complex world with efficiency and purpose. This spirit of efficiency appeared in many realms of American life, in the professional engineering societies, among forward looking industrial management leaders and in municipal government reform as well as in the resource management concepts of Theodore Roosevelt. The possibilities of applying scientific and technical principles to resource development fired federal officials with enthusiasm for the future and imbued all in the conservation movement with a kindred spirit. These goals required public management of the nation's

> *streams because private enterprise could not afford to undertake* of the western lands to adjust one resource use to another They also required new administrative methods utilising to the fullest extent the latest scientific knowledge and expert disinterested personnel It was the gospel of efficiency [Hays 1960 26 56]

Scientific forestry Hays issues was a characteristic example of the new technological age which emphasised large scale long term planning and management in both private and public affairs The forestry profession bears a number of earmarks of these progressive era beginnings None have gone unchallenged especially in the recent era of environmental awareness Yet they remain unmistakable characteristics of the profession

(a) *Tenet One Non Partisan Technical Expertise is the Basis for Decision Making* The fundamental feature of the conservation movement and the forestry profession s ideology is the proposition that decisions concerning resource management should be made by technically trained experts Who should determine the goals and methods of federal resource programmes? Since resource matters were basically technical in nature conservations argued technicians rather than legislators should deal with them [Hays 1960 3]

Appalled at what appeared to them as a century in which private enterprise exploited the political process to ravage the western territories Pinchot s forest service disciples sought to protect forest management from the tawdry pull and haul of the politics Pressure group action log rolling in Congress or partisan debate could not guarantee rational and scientific decisions Amid such jockeying for advantage with the resulting compromise concern for efficiency would disappear [Hays 1960 3]

This commitment to what Herbert Kaufman has characterised as non partisan technical competence' has unsurprising consequences One is that it forces the forester to draw very clear lines between the professional and the non professional Foresters are scientifically trained to be managers Non professionals are not considered to be foresters or managers

A second unsurprising consequence of this commitment to expertise has been a tendency for foresters to disregard or denigrate local resource managers and users The forester recognises neither the local user's knowledge about local conditions nor his/her definition of the resource and priorities concerning its management This may reflect in part an anti local sentiment since it is the local residents use of the resources which on first glance appears responsible for the crises which foresters must resolve But it is perhaps more a pro professional sentiment which simply does not conceive of expertise outside its own boundaries

Nevertheless the locals are in no way peers Lacking professional expertise, they are, in the terms of forestry orthodoxy, per force involved in management as political actors seeking some kind of advantage some distortion of the technically correct decision which would meet their own needs and preferences It is the forester's job to base decisions on science hence to exclude such political influences from the process

One costly consequence of this set of assumptions is that it has traditionally obliged the forester to choose 'for the resource when confronted by a conflict between local needs and technical priorities Thus foresters have historically put their commitment to technically sound resource management above the needs of impoverished range users in the American southwest West (1980) and de Buys (1981) have chronicled similarly distressing tales of insensitivity to Hispanic range users through more than 70 years of range improvement in Arizona and New Mexico Convinced that the communal range allocations traditionally made to groups of Hispanic permit holders led to overuse of the resource the forest service has worked for decades to phase them out while acknowledging that the permit holders relied upon them for protein in their diet This is not because they were in favour of starving Hispanics but rather because they were trained that to deviate from the biologically correct solution was wrong Not surprisingly these attitudes did not endear Pinchot's Yale trained foresters to the local communities when they went west after 1905 Contrary to song and story, the local residents whom they encountered were more likely to be livestock operators than the loggers they were ostensibly trained to deal with [Roberts 1963, West, 1980] Because the large livestock operators were in a position to withhold critical political support from the fledgling forest service,[2] the foresters were obliged to deal sympathetically with them [Roberts 1963 Fairfax 1984a Nelson, 1980] but it was clearly regarded as a defalcation [Voigt 1976]

Even after the environmental decade of the 1970s[3] the principle continues to be well established within the profession that foresters are the' experts and the local residents and their preferences are viewed as potentially threatening to the forestry mission This is evident in current guides to public involvement in forest planning The forest service makes clear to its personnel that information regarding public preferences is an important component of the professional's decision making, but still the professional forester retains the actual management authority [Achtermann and Fairfax 1979 Behan 1977]

(b) *Tenet Two. Large Scale Comprehensive Government Resource Management* This same pro professional bias is related to a second tenet of the professional forester the commitment to large scale, national action to achieve comprehensive resource planning and management Hays' (1960) reference to central planning' by 'federal officers' is generally appropriate to the progressive era Particular historic circumstances surrounding the public domain make them especially relevant to the conservation movement The initial focus of the progressive era conservation movement was defined by the fact that the federal government already owned most of the land which the progressives wished to conserve The dominant government policy for most of the 19th century had been to give the land away to states, corporations, and individuals in order to encourage orderly settlement of the western territories [Gates, 1968 Peffer 1951] Conservation advocates blamed that 'disposition' policy for what they viewed as the waste and ruin of western resources As they pressed for a change in public domain policy it was almost inevitable that the conservationists would fall into the pattern of government forest management then being imported from Germany This they did almost without discussion[4] their position became that the forests ought to be retained in federal ownership and managed by government foresters

In addition to government ownership the federal involvement had three other important components national priorities government compulsion and the scale of operations The first is a variation on the anti local themes discussed above The conservation movement s goals were *national* priorities which had to be achieved on the retained publicly owned lands over the objections of the local citizens[5] A second virtue of government involvement was that it would provide a compulsion without which conservationists feared (correctly as it turned out) that their religion would not be widely adopted Ownership of resource was in this sense critical Regulation of land use and resource extraction practices on private land which are now commonplace were viewed as takings of private property at the turn of the century[6] Indeed federal regulation of public domain land was so novel a thought that for Pinchot to impose a fee for grazing livestock on national forest lands presented grave constitutional issues which had to be resolved by the US Supreme Court [Dana and Fairfax 1980]

Pinchot spent much of his career working against what he saw as the selfish evil industrial interests who would not practise forestry in the woods He was forced to take that rather unsophisticated position in order to distinguish himself from his predecessor who ineffectually (in Pinchot's eyes) but accurately observed that forestry would not be practised on private lands, and investment in reforestation of private forests would not occur, until the existing forests had been utilised to the point that there was some hope for return on the investment Although Pinchot attributed the reluctance of industry to invest to moral turpitude, it is in fact true that forestry was not practised to any extent on private lands until it began to make economic sense as an investment Therefore

the compulsion of government involvement and government land ownership was mandatory if forestry were to be practised anywhere in this country at the turn of the century

Interestingly this conflict between Fernow's economic insight and Pinchot's preoccupation with practising forestry at any cost continued to rage throughout Pinchot's long life, and it still is at the heart of major forest policy issues Pinchot fought for two full decades after he was fired as chief of the forest service in 1910 for the enactment of federal laws which would compel private forest owners to practise what Pinchot considered to be sound forest management These owners demurred on the grounds that they could not recover their investments because there was too much standing timber to justify planting more Pinchot fought constantly with William Greeley (his successor in the chief's office) who advocated a co operative and educational approach to recalcitrant timber operators [see Clepper 1971 Greeley 1951] During the depression the forest service recognised that there was some merit in the argument hence they advocated federal purchase of over 150 million acres to facilitate the practice of forestry on (formerly) private lands [Copeland Report 1933] Today some 70 years later the forestry profession is still concerned about private owners NIPFs (non industrial private forest owners) continue to resist all kinds of inducements including the forest service sponsored programmes to encourage practice of forestry in that ownership category [Romm et al 1983] Only in the last three to five years has the argument Fernow made in the 1880s –when it is profitable for small woodlot owners to manage their lands for trees they will do so not until been given much credence Meanwhile the current debate over 'below cost timber sales' suggests that many foresters continue to believe that forestry should be practised no matter what the price

The third major attraction of government involvement in conservation was the anticipated scale of the undertaking This commitment to large scale operations appears to have at least two major facets First, conservation and wise use of western resources seemed to require investment and management which outstripped the resources of private citizens private corporations or state government There was ample empirical evidence in failed private and state efforts to develop irrigation programmes to suggest the necessity of federal government involvement [Dana and Fairfax 1980]

The second facet of scale is another restatement of the anti local theme of the profession comprehensiveness, large scale projects would dilute the regional and local position and put resource management on a footing which would permit rational management decisions The progressive assumes that rationality requires comprehensiveness, management to meet local or non comprehensive priorities is inherently non- or ir-rational Kaufman's (1960) classic study, *The Forest Ranger* explored the apparent contradiction between the forest service's nominal embrace of decentralised decision making and its fundamental commitment to comprehensive planning The solution, more insidious in the present context than in Kaufman's description is the 'pre made decision' The forest service can delegate responsibility to the local level because foresters are so heavily indoctrinated with the core values that geographic location of authority will not alter outcomes

(c) *Tenet Three Fibre for Industry* There is nothing inherent in the progressive era tenet of expertise or in the tenet of large scale rational comprehensive government resource planning and management which would require a professional commitment to timber production as opposed to any of the other potential forest products The emphasis on timber is almost wholly a product of Pinchot's advocacy of forestry To Pinchot forestry was predominantly (but not exclusively) silviculture His definition won over alternate definitions because of his political skills and powers

However once the silvicultural bias [Olson 1971] was introduced by the German trained silviculturalist, Pinchot the momentum of the progressive era's commitment to large scale operations and the fervour with which Pinchot set out to force sound forest management on a reluctant industry veered the operation in the direction of fibre production as opposed to recreation small scale fuelwood production fish and wildlife management pine nut production generation of lichens for dyes or any of the other potential minor' forest uses

A major goal of the progressive forestry movement (which as noted above can be distinguished from earlier concentration on watershed protection and Fernow's subsequent lamentations that forestry would not be practised in the United States until timber was in shorter supply) was a wholly fabricated but deeply felt fear of a timber famine' [Olson 1971] Pinchot's emphasis on 'forestry in the woods' combines with the large scale emphasis to mean forestry in large plantations for commercial production and processors

This emphasis on timber productivity is also manifested in exclusivity The society for range management, the wildlife society the soil conservation society of America and a whole host of related groups owe their existence to a long period in the history of the society of American foresters when a commitment to trees was seen as necessary to being a real forester Disciplines or persons interested in forest uses other than commercial fibre production were literally driven out of the society [Fairfax, 1978]

The profession's commitment to large scale fibre production continues to be apparent in many facets of professional life It begins with forestry education with its primary emphasis on wood and wood production It is continued in the forest service which places timber production at the top of the hierarchy of potential uses

(d) *Tenet Four Expertise and Biology Forestry as a Biological Undertaking* Just as foresters' emphasis on silviculture leads them to undervalue other forest uses the foresters notion of forestry as a primarily biological undertaking leads them to view the knowledge and experience of non biologists as merely ancillary to the forestry mission Political and social factors of management are viewed as constraints on the practice of forestry rather than as the origin of the goals and values which the profession must achieve Non foresters working in forestry—social scientists economists, and policy analysts— are typically viewed as technicians who can solve the foresters' image or people problems rather than as managers or professionals who can help set the agenda for forest management which serves people

There is further a tendency within the profession to try to contain the participation and influence of what are seen as 'outside disciplines Professional courses in sociology political science and law have only recently been accepted in forestry curricula Even now it is the norm to offer such non biological materials in courses taught by persons who have been trained as foresters within the forestry school or department

The caution has been reinforced by the recruitment of non foresters—anthropologists sociologists and planners—into the forest service These outsiders have been loyal to their disciplines rather than to the agency advocating on behalf of non traditional resources such as pot shards fisheries resources and minerals management, diverting planning and management resources and frequently disrupting the planning process with public controversy to boot

This rough sketch of the forestry world view has shown that its roots in the progressive era leave the profession committed to comprehensive large scale rational planning This has numerous consequences The first is that it emphasises professional expertise and tends to regard the experiences and insights of non professionals as irrelevant This is both because they are not professionals and because they are locals Local users are particularly suspect because they are likely to be self serving, working through the political process to subvert the effort to base decisions on rational comprehensive planning and management However, non-biological professionals are apt to find their skills equally dismissed as diversions from the commitment to non partisan technique. Forest s define forestry as primarily

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biological in nature because they learned early on that the basic resource to be managed was the trees

III

The Effects of American Forestry Professionalism on Forestry for Development

While professional forestry in the third world has like the forestry profession worldwide focused traditionally on commercial production for fibre the large subsistence forestry sector has attracted growing attention In either situation whether the foresters are US trained citizens of the country or imported Americans and irrespective of whether the foresters are involved in project design or project implementation of village or farm level forestry or forestry on large often government owned plantations the orthodoxies of American forestry professionalism can substantially reduce their effectiveness They prevent foresters from recognising (1) who is using existing forests and trees in what ways (2) the current use and users of lands proposed for plantation forestry (3) the social economic and political effects of their actions While the effects of the four tenets outlined above are in fact interconnected we discuss them below tenet by tenet

(a) *The Tenet of Technical Expertise* The emphasis on a narrowly defined professionalism reflects the belief (by no means restricted to forestry) that resource management can be separated from resource use To the forester loggers are not managers While we would agree that drinking water from a well does not transform a thirsty peasant into an hydrologist we argue that foresters overstress the distinctions A person who makes daily decisions about forest utilisation based on detailed knowledge of the resource and shared community values regarding its allocation is a manager For example in subsistence forestry management is embedded in myriad acts defining use such as observing the norm sometimes enforced by government edict that living trees should not be cut for firewood [Hammer Wood et al] Similarly under local norms certain trees are protected from any cutting [Hammer 1982 Mnzava 1983] Protection of trees may be formalised as in the case of the Sherpas who designated community members to report anyone cutting trees without permission obtained from the village council and fined the offenders [Willan 1967]

The woman who lops branches for livestock fodder or fuelwood is a manager whose resource use is based on traditional knowledge and an implicit management regime just as clear as 60 year rotation plan Because the tenet of technical expertise tells them that only professionally trained foresters practise forestry there is a real danger that many foresters will overlook not only the local person who is practising forestry but also the expertise on which the practice is based [8]

In fact village women are the primary users of forest commodities in most developing countries [Fortmann 1986] Their day to day hands on involvement with forestry goes far beyond what many professionally trained foresters will ever have Fuelwood is primarily collected and used by women with some help from children Bennett (1981) found that in Nepal 78 per cent of the fuel collection was done by women and 84 per cent by women and girls combined [cf Wood et al 1979] Women often are responsible for small stock They may gather fodder by cutting branches or graze their herds in the forest Women are generally responsible for gathering foods dyes medicine, thatch and other minor forest products [Collier 1981 Hoskins 1980] In the process they develop a forestry expertise on which their livelihood depends For example Hoskins (1982) found that women in a Sierra Leone village could identify 31 products from nearby bushes and trees while men could identify only eight

While in sheer numbers women are most likely to be overlooked they are not alone in being invisible to forestry professionalism The men who cut poles for houses roofs or fences posts or large branches for carving may be similarly unseen students and managers of the forests This is not to argue that deforestation is not taking place or that subsistence foresters are blameless The causes of deforestation are familiar from the US history But even if peasants have become obliged through forces beyond [their] control [land shortage population growth] to become the instrument of forest destruction [they are still] a repository of a wealth of knowledge and experience - of ecological common sense—that cannot be ignored in the quest for sustainable systems [Westoby 1982]

(b) *The Tenet of Large Scale Comprehensive Government Forest Management* Foresters training for large scale plantation forestry using a small number of species may lead them to misconceive opportunities for local management This has both general and specific ramifications To illustrate one of the specific benefits of local management is that it can reduce the problems of protecting the trees and excluding people from the land which arise when large-scale government or commercial plantations are established Such projects may expropriate land which has traditionally been used locally for other purposes Conflict with local priorities invites trespass or destruction of the plantation which may require considerable resources to prevent In contrast, under local management the mechanisms of local social control can be mobilised for protection [cf Esman and Uphoff 1984]

More generally many American foresters do not see that trees are part of a production system in which both the trees and the land on which they grow have multiple uses which may interfere with and be chosen over the plantation manager's preferred silvicultural practice. Small-scale local projects can be adapted to local production systems Trees in small numbers can be planted on residential sites, on field boundaries on roadsides and on many similar sites without interfering with the existing system or requiring excessive amounts of labour Small plots of trees can be planted near dwellings where the inhabitants can watch over them Large scale plantation forestry is less adaptable

Finally the commitment to large scale government controlled plantations has reduced the effectiveness of reforestation efforts For example, in Bangladesh the principle that the forest department should control forest lands has led to its retention of denuded forest lands despite clear evidence that it is unable to reforest and protect them and equally clear evidence that peasant farmers plant and protect large numbers of trees when they are allowed to live on and farm such land [9]

(c) *The Tenet of Commercial Fibre Production* These local user managers are difficult to see because the uses they make of the forest are likely to be viewed as minor by those trained for commercial fibre production Activities which fall outside the boundaries of this established forestry tenet are invisible to many foresters who literally do not see trees that are used as hedgerows or living fence poles trees that provide material for basketry or dyes or medicines or decorations trees that provide sites for honey barrels trees that provide fodder trees that have religious significance trees that provide shade or trees that provide human food

Because many foresters do not see the enormous variety in the use of trees they frequently do not see the vast number of species that are useful The definition of forestry as commercial conifer production has long led the California forester to define the mighty oak as a weed competing with the commercial crop Thus, it is not unreasonable to expect that when they are overseas they might overlook other non commercial species altogether In Botswana for example *Colophospermum mophane* is the host to an edible caterpillar during the rainy season, serves as fodder for livestock during the dry season, and provides wood for carving tourist trinkets and for firewood year-round Since none of these activities are part of forestry orthodoxy, one can easily imagine an American forester levelling an area of mophane trees to plant something 'valuable' Indeed, Hoskins (1980) describes an area of 'useless bush which had in fact been the source of food, fuel medicine, fodder and material for handicrafts especially for the poor, cleared to produce trees for urban fuelwood

Further there is no room in forestry orthodoxy for the fact that in some places men and women may have different uses for the same tree or may use different trees for different purposes Often men are interested in commercial species such as timber or perhaps fruit trees while women are more concerned with trees producing fuel, fodder and food for domestic use [Hoskins, 1982,

Sharma, 1981] Women in the Sierra of the Dominican Republic use the fibre from local palms (*Sabal umberculifera* Martius and others) to weave containers Men use the same tree for hog food When the hog food value of these trees dropped, men began cutting the trees down for construction or for sale [Fortmann and Rocheleau 1985]

The consequences of the tenet of technical expertise are particularly negative for women because even the forester who consults with local people is still unlikely to consult with the women At best the result of this is that women's problems and products are not served by projects at worst they may actually be destroyed by them For example Hoskins (1980) describes a soil conservation project planned by a forester in Mali which involved building berms along the contour of a hill and planting trees The forester had consulted with the men who held farming permits in the area and obtained their support Fortunately during a site visit it was discovered that the hillside was not badly eroded because it was already terraced with crude stone walls The proposed project would have destroyed these terraces which had been built by women who gardened on the land for which their husbands held the farming permits Moreover in a few years the trees would have shaded the land making it useless for vegetable gardening

(d) *The Tenet of Forestry as a Biological Undertaking* The foresters faith in technical solutions to biological problems ignores the fact that management in developing countries often confronts complex political issues not readily amenable to simple biological solutions [Cernea 1981 Westoby 1983a 1983b] The practice of forestry can be a powerful political or economic tool Yet many foresters overlook the social institutions which affect and are affected by their actions [10] For example foresters frequently ignore the social organisation of property particularly the systems governing trees and land Yet land and tree tenure are critical for forestry because of the relatively long period of time necessary for the cultivation of most trees Foresters may fail to perceive the rules governing the use and allocation of resources including trees because they run counter to their beliefs about property Many American foresters are committed to the ideology that all property is private unless held by the government In this ideology, once ownership is established, the owner has clear rights over what happens to and on the property This is not even true in the US where historically property has been held in common, and restrictions placed on the use of privately owned property [Cronon, 1983, Geisler, 1984, Sax, 1984]

History notwithstanding, firmly equipped with their beliefs about the proprieties of property, American foresters often find third world property systems confusing and probably aggravating as well For the unwary forester there are at least four traps

First, land may be held communally The system for getting permission to utilise this land may involve consultation not with a single owner but with an entire community or its leaders using processes which may be lengthy and based on consensus

Second in systems of shifting cultivation land in fallow (which generally appears abandoned and therefore unowned) is almost always owned by someone Clearing this land for utilisation in a forestry project is likely to result, at the very least in ill will

Third, in many places the system of tree tenure is complicated It is not uncommon for trees to be owned (and therefore leased mortgaged inherited and sold) separately from the land on which they grow The rules governing the rights of tree ownership tree use, and tree planting and the results of all these activities differ considerably from what seems common sense in western property law [Fortmann 1985 Fortmann and Bruce 1988] Moreover the rights of men and women may differ significantly For example among the Ibo timber trees belonged to men while women controlled the use of food trees Women could not inherit but had the right to be maintained from the proceeds of economic trees owned by their parents [Obi 1963]

Finally when there is more than one social unit claiming the land (typically a national government and a local unit) *de jure* and *de facto* control over the land may be two different things Foresters may run afoul of this either in the course of trying to manage a government plantation or in trying to carry out a government logging contract in an area used by subsistence farmers Local people who do not recognise the legitimacy of rights conferred by an outside government have both the reason and the ability to destroy projects which run counter to their perceived interests

Foresters thus suffer from their biological bias in two ways First, in identifying a solution to the very real problem the lack of trees they will almost inevitably propose a simple biological solution—plant trees—when the real solution may be a political one such as land reform Second in implementing tree planting, foresters often miss nuances in local social relations and proceed in a way that guarantees that their project will fail or will have adverse social consequences including the exclusion of the poor and or women [Foley and Barnard, 1984, Hammer 1982, Mnzava 1983 Shiva et al, 1984]

IV

Conclusions

Historical events in America led to the evolution of a forestry professionalism which is often unsuited to forestry for development Male and female, American and third world foresters are all affected by their training in the tenets of American forestry professionalism But while American forestry professionalism can be a liability in forestry for development, its integrity and its intensity can both be strengths Thus, we are arguing that specific efforts must be made to understand and re evaluate professionalism in American forestry if forestry development efforts are to be successful

Notes

1 Although we will not try to prove that they have similar problems other North American and European foresters clearly have similar traditions In fact renewable resource management in the United States was imported almost full blown from France and Germany first by immigrants such as Carl Schenk and Bernhard Fernow and later by Americans trained in Europe, the most widely publicised of whom is Gifford Pinchot For the classic' discussion of the European forestry tradition in the Americas see Gould (1964) Dana and Fairfax (1980) and the references cited therein

2 Which until the early 1930s employed virtually all of the professionally trained foresters in the United States See Clepper (1971) for a full discussion of the rise of 'industrial and consulting foresters during the early 1930s

3 Which was a particularly traumatic decade for foresters—see generally Dana and Fairfax (1980)

4 Given the present debate over 'privatisation' or less drastically, greater reliance on market or market like incentives in public land management it is difficult to believe that this initial embrace of federal land ownership was so unheralded Despite current economists' efforts to present this apparent break from reliance on private ownership as a radical departure from the standard pattern in this country (see articles by Nelson 1980 Gardner and Dowdel in Brubaker, 1984) it was not generally discussed as such at the time (See Fairfax and Tarlock 1970)

5 This familiar casting of the issues in terms of east vs west reflects the messianism of the Pinchot days it is almost inevitably recast in terms of good guys (the conservationists) vs bad guys (in the extractive industries principally loggers at the time) It is also one of the hardiest and most deceiving myths of the early conservation movement Pre progressive era advocacy for forest reservations was in fact dominated by western water users in the mistaken belief that forests 'caused' water It was not until Pinchot came to power that forest productivity became the watchword of forest reservations (which were then renamed National Forests) For a fuller discussion of the cross cutting stimuli behind pre progressive era forest reservations see Hays, especially chapter 2 and Fairfax and Tarlock, 1970 note 106 p 534)

6 On the shift in attitudes toward regulation of land use and its relevance to public land management and retention see Sax in Brubaker (1984)

7 Ironically this definition includes other than trees because Pinchot was forced to strike political compromises with other

forest users in order to gain control of the forest reserves and have them transferred from the General Land Office in the Department of the Interior to his domain in the Department of Agriculture

8 This attitude is by no means restricted to male foresters For example in the session on Women and Forestry at the 1978 World Congress on Forestry in Jakarta the papers mostly written by women concentrated on women's participation in forestry only in their capacity as a professionally trained forester (e Fairfax and Witte 1978)

9 In Bangladesh 90 per cent of all woodfuel and timber comes not from Forest Department forests but from trees grown on homesteads (Byron n d)

10 For example on a trip by one of the authors to find *social* forestry projects her forester guides were astonished when she asked to speak with the *people* involved rather than simply look at hectare after hectare of the trees which had been planted

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Theory and Practice of Estimating Domestic Resource Cost in India

Kalyan Raipuria

This paper discusses the specific deficiencies of the present DRC estimation practices in India and what can be done to improve upon them keeping in view the theoretical backdrop and recent developments In doing so, certain estimation problems faced by the researchers are raised It is maintained that alternatives exist to tackle the problems of estimation which should be adapted in analyses of DRC-based comparative advantage of Indian industry

I
Introduction

THE increased use of domestic resource cost (DRC) measure in analysis of economic policy changes in India should be welcome insofar as it is aimed at efficient resource allocation production and policy system

The initial attempt made in Israel and discussed by Bruno [1967 and 1972] to use DRC measure, with some developments in recent years was in connection with efficient planning of the external sector and evaluation of projects involving substantial foreign exchange in the face of imperfections of factors and commodity markets and more importantly of foreign exchange market The Indian economy characterised by these imperfections apparently presents a good case to apply the DRC measure

With increasing complexity of issues of industrial policy [Alagh 1988] and several policy changes recently initiated by government [1] DRC measure has come rather handy for analysis of issues in hand which is indeed superior to the criterion of net foreign exchange earnings This is clear from the reports of the three recent official committees which had gone into (i) the issues of trade policy [MC 1984] (ii) the principles of a shift from physical to financial controls [MF 1985 A and B] and (iii) rationalisation of tariffs on capital goods [BICP, 1985] as also from the policy framework for the Seventh Five Year Plan 1985 90 [PC 1985] The first known as Abid Hussain Committee [MC 1984] has observed that the prices of domestically produced importable inputs have remained higher than corresponding world prices because domestic resource costs have not been an important criterion in the formulation of import policy" (p 5) The second known as Narasimham Committee [MF, 1985 A] has gone a step ahead and has recommended that "import substitution activities where net foreign exchange savings are small but domestic resources costs are high, should not be encouraged" (p 6) The theory and practice of estimation of DRCs were, however, left by the committees to be handled by the concerned authorities on policy procedures [2]

In the above context, it is necessary to examine the exact practice followed in DRC estimates in recent studies. The practice may be counter productive if the measure is misapplied leading to undesirable inoptimal policy changes in a low income developing country like India In the seventies certain studies estimating DRCs in the Indian context showed their usage as well as the limitations for *ex post* evaluation [Bhagwati and Desai 1970 Panchamukhi 1970 Staelin 1971 1973 and 1974 Bhagwati and Srinivasan 1975 Nambiar 1973 and 1978] Notable was the advancement made in tariff plus non tariff based prices by Panchamukhi in analysing DRCs for Indian industries under QR regime [Ch 17 of Bhagwati and Desai 1970 and Panchamukhi 1978] An extensive use of DRCs across sectors in analysis of import substitution strategies based on QR regime in NBER strategies [Bhagwati Krueger 1978] however attracted serious criticism by the Indian planners and cost benefit analysts that quite apart from measurement problems misallocation inf from varied DRCs ignore the complexities of general equilibrium analysis and possible non linearities in the valuation of inputs and outputs" [Desai 1978] Further limitations and analytical possibilities for analysis of trade policy were indicated later by some viewers [Kelkar, 1980 Ali 1980 Kelkar and Raipuria 1980 Ray 1983 and Chandra 1986] The present paper focusing on the recent DRC applications in India aims to discuss their major deficiencies and analytical possibilities in some detail keeping in view the complexity of the given macro level and industrial planning and policy formulation process

The factor commodity and foreign exchange market imperfections which led Bruno and others to evolve the DRC measure are not only applicable to a developing country like India some of them also exist in so-called market economies. What is emphasised in this paper is that the specific nature of these imperfections in a developing country should be kept in view in applying the DRC measure entailing analysis further to Bruno It is contended that a simplistic application and analysis of DRC which may bring discredit to the theory itself must be avoided, and that an extended analysis is imperative to account for the given context and the basic and structural characteristics of the economy under review

The plan is to discuss first the theoretical backdrop and recent developments (Section II) followed by the recent practice of DRC applications in India (Section III) and a suggestive concluding section on what can really be done in the Indian context (Section IV)

II
Theory Recent Developments

The theoretical backdrop of DRC measure has been discussed at length in a Symposium contributed among others, by Balassa Bruno Krueger and Schydlowsky [PI 1972] aside from in the original contribution by Bruno [1967] and Balassa Schydlowsky [1965 and 1972] The empirical research which followed also contributed to certain aspects of DRC theory Important theoretical contributions of the extended nature of DRC measure include those by Bhagwati and Srinivasan [1973 and 1979], Pearson[1976] Srinivasan and Bhagwati [1978] Schydlowsky [1984] and Warr [1982 and 1983] The present discussion does not aim to review these contributions However, it is necessary to recapitulate the important points coming out of them which are directly relevant to applying the DRC in practice for policy analysis

The basis of Bruno's original contribution on DRC estimated as cost benefit criterion based on accounting prices was the need to express country's comparative advantage, i e, relative efficiency *vis a vis* the rest of the world for a developing country given (i) the basic analytical problems arising due to (a) division of macro micro policy decision-making in regard to investment in government and (b) the bias arising due to use of market prices of primary factors of production labour and capital utilities and foreign exchange and (ii) analytical necessities are emerging due to interdependence in an economy though a sectoral investment decision is being undertaken The latter meant "direct and indirect effects on other sectors, both in terms of derived input demand from other industries or primary factors of production, and in terms of increased supply of the new commodity or service produced" [Bruno, 1967] This is in view of the need to take dynamic and comprehensive view of 'efficiency' in the context of national planning especially external sector planning

Recent Developments

Some of the later contributions however led to the impression that it is futile to aim at tackling the basic analytical aspects due mainly to the critical problems of estimating indirect inputs imputed capital costs (and their import content) accounting prices and industrial structural variations The algebraic numerical similarity between DRC and ERP measures was another reason The additional reason was controversy about treatment of non traded inputs being excluded/included in value added *à la* Balassa and Corden respectively It was found for example that DRC estimates do not have a greater claim of legitimacy with use of shadow prices [Bhagwati and Srinivasan 1976] and alternative measures of DRC were derived in the presence of the empirical problems of accounting prices which almost negated the very use of them Thus what we find today is the measure being applied in analysis of trade and tariff policy changes by way of estimating simple ratio of domestic and international value added frequently for only one point of time mostly at market prices The use of appropriate shadow prices were still recommended for sensitivity analysis and especially if we wished to get our DRC estimate closer to the time cost benefit oriented measure [Bhagwati and Srinivasan 1978] Whether such approach is welfare improving or not is in fact a matter of discussion on implementation of shadow prices in reality Indeed systematic computation of appropriate shadow price remains a major analytical and quantitative enterprise in itself But economists enterprising talents have not been lacking in theory and in practice

Problem of Cut off Point

It was recognised in the original writings on DRC that the DRC is criterion can be used to distinguish between activities projects with positive negative nil net social benefit defined as DRC shadow exchange rate (SER) DRC > SER and DRC SER respectively assuming that SER can be systematically estimated and that SER takes the activity to break even In a number of studies the activities were ranked according to DRC and activities with high DRC were criticised to have been promoted by government leading to resource misallocation *ex post* [Bhagwati and Desai 1970 Bhagwati and Srinivasan 1975 Panchamukhi 1978 Staelin 1974 ICICI 1984 and Nambiar 1977 and 1983] Such studies show that DRC analysis can be done even without SER

Whether the determination of acceptability of an activity project requires SER or not is a question dealt with recently by Warr [1983] According to him the problem is that when *ex ante* more than one of a class of a mutually exclusive projects meets the cut off point criterion a choice must be made among them In IRR (internal rate of return) and in BCR (benefit-cost ratio) also cost and benefits are computed and projects are ranked by this But it may not give the same ranking as given by NSP (net social profitability) itself Thus Warr observes 'all three criteria IRR BCR and DRC are capable of distinguishing desirable projects (NSP>0) from undesirable ones (NSP<0) *but none of them can be relied upon to rank a set of mutually exclusive projects correctly*' (emphasis added) This he shows by considering the linear relationship between NSP and SER with positive slope i e DRC denominator--the project s production and use of tradeables at border prices and foreign exchange numeraire but converted in domestic currency numeraire using SER and negative intercept i e DRC numerator the project s cost of the non traded inputs labour and capital evaluated at second best shadow prices in domestic currency numeraire In a situation of expanded number of activities projects SER estimate is indeed required According to Warr SER must be used to rank the projects not simply to provide the appropriate cut off point Thus Warr feels that the empirical advantage of using the DRC without SER estimate is lost What Pearson [1976] argued is that DRC has a major advantage over NSP as DRC does not depend on the choice of SER and that SER has to be used to provide a cut off point when the DRC of the least socially profitable project *ex ante* is just less than the exchange rate

We feel accepting the use of shadow prices including SER the DRC criterion remains preferable due to superiority of its analytical framework for a country s comparative advantage among different activities and for helping the policy maker to study make or buy choices relevant to the industrial activities whose inputs and outputs can be evaluated at appropriate world prices and which entail significant foreign exchange

Extended Applications

While the primary area of application of DRC estimates has been trade and tariff policy recently this measure has been applied in many other related areas In doing so the authors have adopted and extended the methodology One of these uses is in evaluating education programmes for purposes of indigenisation [Monson and Pursell 1979] Such programmes are likened to import substitution in a developing country where local labour is expected to replace previously imported skilled foreign labour In applying to the problem of expatriate labour replacement in the case of Ivory Coast the researchers have duly considered the original tenets of the Bruno method i e, evaluation at shadow prices and analysis in terms of 'accept reject the ith project These researchers present the analysis in an attractive fashion insofar as the analysis is akin to social cost benefit appraisal of social services which is rather a complex area for quantitative analysis

Yet another area in which the DRC has been applied recently is the *ex ante* analysis of projects aiming exclusively at exports [IDA, 1975] Since every project consists of a stream of benefits and a stream of cost over its chosen time commercial profitability has been analysed in the framework of benefit cost analysis Since the main benefit of such projects is foreign exchange the expected foreign exchange output from the project is compared with the cost of inputs and labour and capital imported from the mainland in the project zone or island The DRC then is estimated on the basis of capital cost capital recovery period and the applicable interest rate The benefit i e foreign exchange output including earnings from utilisation of *entrepot* trade are added and compared with the import and other costs and net benefits estimated in the DRC format Such analysis of course has certain problems insofar as it is put in the CBA format

The third kind of new application of DRC is in terms of CBA attempted by several researchers in the context of project appraisals and the same shortcomings follow In addition some of the benefits being of black box nature critical assumptions are made regarding flow of benefits which can only be subjective in many cases

These new applications however do indicate the increased usefulness of the DRC measure But since the measure is being applied in heterogeneous areas with without the necessary discussion of the macro micro context and adjustments one has to be very cautious in applying these in the Indian context

III

Estimation Practice in India Recent Studies

A review of the DRC estimates made on *ex post* basis by the international and national organisations individuals in the eighties leads us to believe that this measure has become a short cut method to derive conclusions on changes in industrial and trade policy as also on tariff calibrations for future in regard to the select industries taken up for some *ad hoc* study

There is a clear shift in approach from DRC ranking across the sectors [*à la* Bhagwati and Desai 1970 Staelin 1971 1973 and 1974 Panchamukhi 1978 ICICI 1977 Bhagwati and Srinivasan 1975 Nambiar 1977 and 1983 and NCAER 1983] to the estimation of DRC for an industry earlier done by Krueger [1970] for automobiles in the context of import substitution analysis of an industry While the former were beset with certain shortcomings primarily arising out of problems of estimating domestic and international prices on a uniform basis and the availability of relevant contemporary input output table to account for direct and indirect inputs the latter abounds with some additional shortcom

ings, theoretical as well as empirical, turning them misleading They are discussed in brief, in the para that follows

The recent DRC estimates according to an industry are of three types firstly those which primarily consider the ratio of domestic and international value added in an industry in estimating DRC and FRP (=1−DRC), with minimal value/price adjustments [applied in capital goods in World Bank 1984 BICP 1988, BICP studies quoted in Alagh 1989 etc] secondly those using the ratio method in regard to an industry analysing also the components of value added and production unit wise comparisons of DRC [CEI 1985] and thirdly those which discuss DRCs on the basis of ratio method covering the comparable products of an industry [Ray 1983]

MAJOR DEFICIENCIES

Some of these studies [World Bank 1984] show the awareness of the need to consider the shadow/accounting prices and provide the sensitivity results in their regard but remain partial and static in analytical sense

What is common in the recent studies in general is their focus on one point of time (and thus on purely static analysis) and an industry or selected sub sector level estimates of domestic/international value added ratios as DRC measure and ignoring details of the relevant general equilibrium and macro context of the economy consideration of the traded and non traded/non tradeable inputs as part of value added with appropriate pricing accounting as far as possible of the indirect (second third and further rounds) domestic and imported inputs using input output analysis least of dynamic input output analysis and adjustments in respect of shadow prices exchange rate and risk changes effecting the expected profitability aside from DRCs and the varying rate of inflation These studies do not recognise the structural factors lowering value added in relation to cost of capital e g under utilisation due to sunk capacity and demand shortages and other factors beyond the control of entrepreneurs the cost raising factors like excess inventories which arise due to shortage of raw materials and components and the production bottlenecks such as interrupted power supply which are also beyond the control of the producer Furthermore such studies ignore analysis of the structural characteristics of the industry such as capital output ratio capital labour ratio capital/labour value added ratio non tradable inputs value added ratio etc faced with serious technological alternatives in the present industrialisation [Alagh 1988] We have found that analysis of backward 'forward' and other linkages along with factor-intensity ratio of wages value added and employment identified in the linked industries indicate the growth effects of an activity in the macro context which throws further light on its acceptability to the planners The sensitivity analysis in respect of the estimated current price elasticity of demand and supply in detail is also not attempted They do not make any distinction between general Convertible Currency Area (GCA) and Rupee Payment Area (RPA) attracting different true' values of exchange rate at different times The different considerations arising in respect of short run and long run loss on account of credit domestic and foreign capital cost of non traded inputs and fixed wage cost in short run DRC estimates are also ignored

Discussion on some of these considerations was earlier provided in Paul and Mote [1970] Paul [1971] Bhatt [1972], ICICI [1978] Ali [1980] Kelkar and Raipuria [1980] Ray [1983] and Chandra [1986] How most of these considerations can be included the desirable adjustments made and analysis advanced in regard to DRC estimates in an integrated manner was demonstrated by Raipuria [1977] taking an industry case in some detail which could be extended across industries In what follows we discuss the major ones of these in brief

MACRO CONTEXT OF DRCS

Let us take firstly the present macro context in which we are concerned with efficient import substitution and export promotion and which is part of the Seventh Plan policy framework The Plan recognises that due to quantitative restrictions a large number of import products are replaced at a much higher domestic resource cost (DRC) than would have been involved in acquiring equivalent foreign exchange through exports [PC 1985 para 6 43] The Plan proposes to promote trade minimising bias against exports and maximising only efficient import substitution Obviously this presumes a DRC analysis across the sectors to identify products where licensing should be reviewed and duties incentives should be rationalised

But as the Plan recognises this is subject to the extent demand structure (and also supplies) can be influenced It further states that balance of payments difficulties stemming from the structure of demands cannot be overcome simply by correcting the existing policy bias against exports for that would only shift resources from import substitution to exports whenever the latter are more competitive internationally Thus in addition other measures will be needed which are designed to restrain generally the growth of domestic requirements of import substitutes and exportables (other than wage goods essentials like foodstuffs) as well as to strengthen the production base for both [PC, 1985 para 6 4]

Thus the demand supply schedules (say by way of material balances) projected for the Plan period become highly relevant in analysis which are based on certain parameters notably demand elasticity with respect to income and price both in turn affecting DRCs Furthermore, the above macro context also means that given high DRCs of a number of sectors, further analysis of the dynamics is necessary in a developing country like India as what is today high DRC and incompetitive activity may turn out to be competitive tomorrow and that closure of these activities simultaneously is out of question economically (keeping in view the foreign exchange constraint in an 'open loop macro framework) and politically (especially in view of employment implications) as it would mean a kind of 'corner solution' on the standard transformation curve given by the production function of two resources say labour and capital for production of two final goods There are also important considerations of employment, technology energy saving acceptable long-run resource depletion etc emerging from the macro context which should be kept in view in DRC analysis Given a large share of wage goods and essentials in total production where the necessary reform measures guided by DRC are difficult to take the area left for DRC based policy measures is in fact very limited to exercise the make buy choice

ANALYSIS OF INPUTS AND OUTPUTS

The direct and indirect inputs need careful analysis through industry level studies as well as input output table Since different inputs continue to face different demand supply situations market patterns and pricing policy regimes [Alagh 1987 for the latter] in India they need to be taken into account in adapting prices Mostly non-traded non tradable inputs are supplied under state aegis or are under one or the other kind of government control which means that the area of difference between administered and true prices need to be identified DRCs indeed show significant sensitivity to treatment of non traded inputs

Input output analysis shows industries of three types In certain industries the process line is pretty long and direct inputs apparently constitute major proportion of value of total supplies of inputs but indirect inputs are crucial to whole cost price structure (e g man made fibres/fabrics) In second type of industries the process line is short and there are few significant direct inputs but there is a series of indirect inputs which in fact constitute the major share of input value (e g POL sugar cement) In the third type of industries given long/short process line non traded inputs and one or two raw materials constitute major share of input value and indirect inputs are little (e g, aluminium) [see CSO 1981 Annexure 7] These differences need to be highlighted in the cost price adaptation In all these industries the share of imported inputs also need careful analysis covering capital inputs

In imputing the cost of inputs it is also important to look into the outliers, while dealing with a short period of analysis, which may arise due to transient policies and or market conditions

It is crucial to gauge the dynamics of

NOTICE

It is hereby [illegible] of the public that **Chattarpati Investments Limited** proposes to make an application to the [illegible] Department of Company Affairs New Delhi under sub section (2) of Section 22 of the M[illegible] Trade Practices Act 1969 for approval to the establishment of a new undertaking Brief part[illegible] under

1	[illegible]	CHATTARPATI INVESTMENTS LIMITED 1 & 2 OLD COURT HOUSE CORNER CALCUTTA 700 001
	[illegible]	(Rs in lakhs) Authorised capital: Equity Share Capital Rs 175 00; Preference Share Capital Rs [illegible]5 00; Rs 200 00 Subscribed and paid up capital: Equity Share Capital Rs 175 00; Preference Share Capital R[illegible] 94 10; R[illegible] 199 10
	[illegible]	The applicant company is managed by a Board of Directors The following are the names of Directors Mr [illegible] Mr MML [illegible] Mr AV [illegible] Mr DK [illegible] Mr SK [illegible]
4	[illegible]	The [illegible] Undertaking by incorporation of a new Company
5	[illegible]	Saidapet [illegible] District Tamil Nadu
6	[illegible]	Proposed [illegible] Capital Rs [illegible] 00 crore
7	[illegible] production storage [illegible]	
	[illegible]	Polystyrene [illegible] General purpose and High Impact
	[illegible]	60 000 TPA [illegible] 100% Export Oriented Unit Scheme
	[illegible]	Rs 115 2 crore
8	[illegible] the provision of [illegible] activity in terms of [illegible]	Not Applicable
9	[illegible]	Rs 68 crore
10	Scheme of finance indicating the amounts to be raised from each source	Rs 17 crores through equity and balance through borrowings from various sources

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

For **CHATTARPATI INVESTMENTS LIMITED**

M M L HOOJA
DIRECTOR

Dated 8th August 1989

technology if it may change the prices and intra-industry product-mix in some 'discontinuous' fashion to disrupt the DRC estimates

It is also important to adapt/estimate the domestic and world prices carefully and examine the relationship between changes in prices and those in import and tariff policy, exploring the nature of not only the home market but also the character of the foreign market [4] It is our experience that discussion with the concerned authorities (like DGTD BICP CCI & E, CBEC and public sector corporations) which are equipped with technical and experienced personnel may be found rewarding in addition to select use of now available array of publications on manufactures' production and prices

Adjustment for Real/True Prices

Adjustment for 'real/true' or shadow accounting prices of factors inputs and foreign exchange is one of the basic tenets of the DRC and is associated with the origin of the concept The shadow prices are being increasingly employed in programme evaluation as well as project appraisal in the context of the developing countries despite conceptual and estimation hazards While it must be conceded that firm and widely acceptable estimates of such prices are rarely available certain location bound and programme based prices or those based on partial equilibrium analysis of the economy have been in use for long in the recent literature on benefit cost analysis In adjustment for shadow prices the consideration is not of welfare increasing/decreasing of the citizens at large or a target group nor it is academic sophistication as has been argued [Bhagwati and Srinivasan 1975 and Bhagwati 1975] The primary objective is to bring out the elements of imperfections in the factor, commodity and foreign exchange markets characterising a developing country particularly of the type of Indian economy

The approach to adjust prices for these imperfections is in line with the basic growth theory which discusses the scarcity of capital sub optimality of savings rate and unlimited supplies of labour high premium of foreign exchange notwithstanding The DRC estimates which ignore the shadow prices lose the basic tenets of the DRC methodology Bruno [1967], originally formulating the DRC criterion for optimising import substitution/export promotion activities, was inspired to use shadow prices, knowing fully well the limitations of the estimation, by way of analysing a whole series of projects "with given shadow/accounting prices and then review the latter intuitively on the basis of the overall analysis of factor demand and supply"

In the recent major cost-benefit analyses, indeed shadow/accounting prices (economy-wide and sectoral) have been used with advantage in arriving at reliable social value of the projects/ activities [e g in a number of the World Bank studies, Little and Scott, 1977] and have been found meaningful for policy analysis The different ways of implementing accounting prices have also been discussed in some detail [Little and Scott, 1977] Recognising the estimation hazards especially of information (and not so much in view of the conceptual problems), Tinbergen has suggested the trial and error method of estimation of shadow prices [Tinbergen 1955] Compared to (initial) market prices these second best optimum prices, reached by iteration until equilibrium is reached, following the rule of marginal social cost (payment to foreigners if imported or change in consumption)

Alternatively use may be made of estimated constant adjustment factor to market prices entailing much less informational problems This would, of course, be of lesser value than 'second best' optimum 'First-best' optimum prices are expected to be obtained on the basis of non linear programming models But, the 'objective function' and constraints need to be carefully looked into in the light of the present economic problems Little and Mirrless' advice for foreign exchange equivalent shadow prices has been popular recently They may or may not approximate to the optimal shadow prices as much depends on empirical analysis attempted in respect of exchange rates and border world prices which cannot be taken on their face value.

The available estimates of shadow prices in developing countries show consistent estimates [see for a note on India Raipuria 1977, being updated for recent research] lower in regard to labour and higher in regard to capital and foreign exchange, shadow prices of capital being much higher than the market rate of interest, the shadow rate of labour being sufficiently lower than the market average wage payment to labour and there being significant premium of foreign exchange (considering convertible or hard currencies) all supporting the need for shadow prices However, the choice criterion for selection of particular set of prices should be the consistency of their analytical framework with the macro/planning framework of the country Underestimation of capital cost and overestimation of labour cost, on the basis of market rates, are not likely to cancel each other due to different shares of the factors in value added and differentials in capital/labour ratios among different activities clear from empirical studies in the past [Staelin, 1972] By now, in India, the use of consistent adjustment factor in place of the exact shadow prices appears to have come to stay in BCA and in DRC/ERP studies in terms of sensitivity analysis [e g, CEI, 1985 and Pursell, 1987], and study with/without premium/discount [Narain 1987]

Use of World/Border Prices

Why prevailing world market prices cannot be taken on their face value? The well known reasons include serious imperfections in the world market structure, tendency for dumping in certain products by producers of the developed countries, possibilities of transfer pricing by TNCs, and increasing trend in favour of counter deals hiding the relative price position over time, reflecting more of the bargaining power of the barter dealers world prices representing a preference function of the industrialised countries notwithstanding The imperfec

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NOTICE

It is hereby [illegible] information of the public that DCM Limited New Delhi proposes to make an application to the Central Government [illegible] the Department of Company Affairs New Delhi under sub section (2) of Section 22 of the Monopolies and Restrictive [illegible] 1969 for approval to the establishment of a new undertaking/unit/division Brief particulars of the proposal are as under

1	Name and address of the applicant	DCM LIMITED (UNIT SHRIRAM FERTILISERS & CHEMICALS) 18 Barakhamba Road New Delhi
2	Capital structure of the applicant organisation	The capital structure of DCM Limited as on 30 6 1988 is, AUTHORISED Preference — Rs 10 00 00 000 Equity — Rs 40 00 00 000 ISSUED Preference — NIL Equity — Rs 23 02 03 020 SUBSCRIBED Preference — NIL Equity — Rs 23 02 03 020
3	Management structure of the applicant organisation indicating the name of the Director including Managing Whole time Director and Manager if any	LALA BANSI DHAR — Chairman & Sr Managing Director DR VINAY BHARATRAM — Managing Director MR SIDDHARTH SHRIRAM — Dy Managing Director MR MANMOHAN — Whole Time Director DR BHARATRAM — Director DR CHARATRAM — Director MR BIKURAM JAIN — Director MR PRAVIN CHANDRA GANDHI — Director MR J B DADACHANJI — Director MR K N ATMARAMANI — Director DR S S BAJAJ — Director MR S K RISHI — Director MR MANTOSH SONDHI — Director MR N N JAMBUSARIA — Director MR ARUN BHARATRAM — Director MR P P KHANNA — Director MR SATYAVEER SINGH — Director
4	Indicate whether the proposal relates to the establishment of a new undertaking or a new unit division	New Division
5	Location of the new undertaking unit division	TEHSIL LADPURA DISTRICT KOTA STATE RAJASTHAN
6	Capital structure of the proposed undertaking	Not applicable
7	In case the proposal relates to the production storage supply distribution marketing or control of any goods articles indicate (i) Names of goods/articles (ii) Proposed licensed capacity (iii) Estimated annual turnover	Not applicable
8	In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc	Annual turnover of Rs 200 lacs for providing maintenance and engineering services such as specialised repairs of equipments machine tools etc used in process/chemical/power industries specialised welding testing and inspection
9	Cost of the project	Rs 50 lacs
10	Scheme of finance indicating the amounts to be raised from each source	International resources of Company

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhawan New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

(N C BRAHMA)
Executive Director

Dated this second day of August 1989

tions relate not only to statistics even if they are weighted, but also to supply structure, to the availability of number of buyers, quality and technology differences information about demand/supply and prices, and above all to payment clearing as many of the supplies are tied to credit/aid. In very few cases such as primary commodities one finds the information about really competitive world prices. There remains the problem of wide fluctuations, partly due to imperfections and partly due to business cycles. Forecasting of world prices compared to home prices, therefore, is a more hazardous task. The problems of search for true prices, therefore, are only compounded when use is made of the world prices.

TERMS OF TRADE AND DRC IN DCs

With the observed significantly higher growth of manufactures of the developed countries *vis a vis* of developing countries over long run international value added of major manufacturers are likely to be on the higher side compared to the value added manufacturers in the developing countries. One can question therefore the estimation of DRC and ERP based on mere value added comparisons based on world prices without the adjustments implied in DRC analysis of comparative advantage. The unadjusted value added comparisons are likely to suppress the comparative advantage of the DCs in certain activities (especially in import substituting) emerging from their natural endowments, low cost hard working labour, insignificant R and D and low foreign expenditure due to borrowed technology. Thus the observed terms of world prices and present international trade of the DCs should not be allowed to lead to over estimation of DRC and suppress their inherent comparative advantage in certain manufactures. The comparative advantage is frequently indicated by the ratio of world value added and DCs domestic value added is indeed highly misleading defeating the very purpose of external sector planning.

PRICE ELASTICITY, MR AND DRC

Considering that manufacturers by nature of demand and supply are likely to be price elastic, analysis of elasticities in DRCs based on particular prices (i.e. average revenue AR) is highly useful in order to cross check the assumption of infinite elasticity. If the price elasticity (η_p) is in fact not finite we are faced with a differential between average and marginal revenue (MR). Bruno suggested [1969] that in such a situation we should consider MR (AR [$\frac{1}{\eta_p}$) rather than R. According to Bruno:

> In principle one should allow for a margin of error. The best procedure most probably is to analyse the project under alternative assumptions as to future world prices and work out the sensitivity of the results to changes in these assumptions. If, for example, the commodity in question has a very high total import content a relatively small fluctuation in the price of the export of import goods may upset one's conclusions completely.

The same issues arise in estimating costs. The elasticity of foreign supply of importable inputs may not be infinite. This is especially relevant as Bruno observes when importable inputs constitute a significant proportion of costs and when these are highly sensitive to the assumption about the price or unit input of some major factor of production.

It is also noteworthy that shifts in demand schedules are not independent of shifts in supply schedules and the supply of exports depends *inversely* upon factors affecting the internal demand for the product and *directly* upon factors affecting the total supply schedules for the type of product exported by the producers. Therefore, supply elasticity is also worth considering in reaching any policy conclusion based on the DRC estimates.

The elasticity consideration is also relevant to the estimates of foreign exchange benefits and to the comparison of DRC and SER for if the elasticity of demand for the country's foreign exchange with respect to growth of the economy is not infinite we should consider marginal SER.

It is found that DRC declines with high price elasticity and becomes negative with low price elasticity (meaning that activity is not socially acceptable at any shadow exchange rate). DRC remains at the level of estimate when price elasticity is very high i.e. more than 5 or so.

DISTINCTION BETWEEN CURRENCY AREAS

Yet another issue is whether a distinction needs to be made between trade with the convertible currency area (CCA) and the inconvertible area that is the bilateral trade area (BTA) or the rupee payment area (RPA).[6] The BTA represents in common parlance, the bloc countries or the Centrally Planned Economies (CPEs). To the extent the export earnings facilitate necessary imports from both CCA and BTA such a distinction is unnecessary. However it is widely believed that the degree of freedom to operate at world prices, besides convertibility is less in the case of the BTA than in the case of the CCA. Some more arguments can be advanced in favour of making a distinction.

The extensive trade of the CPEs with one another at the expense of trade with non block nations is attributed by Holzman [1974] in part to the unwillingness of non bloc nations to adapt themselves, without a charge to large scale trade with the CPEs under the CPE ground rules. The fact that the imbalances among bloc nations are settled in convertible currencies or gold implies a premium on the CCA. It also amounts to paying a charge of discount on bloc currencies. "The actual statistical picture", according to Holzman [1974] "shows bloc exports to the west at lower prices and import from the west at higher prices than those prevailing in intra block trade. This is believed (to be) the result largely of western discrimination against and controls over trade with the east."

Holzman [1974] gives many other strong reasons for making the distinction between CCA and BTA. He says, for example, that extra effort (or cost) is involved in trading with the CPEs. It is possible to enter into trade with countries of the western customs union by surmounting tariff barriers but it is very difficult to break into the planned intra bloc trade regardless of cost advantage or need. Moreover state traders of the CPEs have much more power for driving a hard bargain (subject to a given share in the world market and assorted elasticities) than even private monopolists. Further since the CPEs are more interested in imports than in exports the burden of achieving a well balanced trade largely falls on the trading partner. Holzman [1974] observes that this may involve accepting in payment goods of lower priority and higher price than are available elsewhere in the world market". Further inconvertibility remains a constraint on multilateralisation of trade.

For the above reasons it is only natural that bloc currencies should sell at a substantial discount relative to western currencies and gold. Likewise the SER may work out to be lower in the case of the BTA than in the case of the CCA. The SER estimate should therefore be selected according to the existing and projected shares of the CCA and the BTA in the total trade. Alternatively export earnings may be valued by applying different SER in the case of the CCA and the BTA on the basis of the respective shares in exports.

IMPORT FOR EXPORTS

In the projects for approval especially in the export oriented projects net foreign exchange earnings (NFEE) criterion is generally applied in India. Thus we may have the following investment rules:

(1) The scale of the activity may if feasible be expanded so long as NFEE is non zero and

(2) The activities may be expanded if feasible to levels where they result in the same NFEE.

If Rule 2 is satisfied the planners seek to maximise the net foreign exchange earnings from the investment. Resource allocation is optimal in terms of NFE defined as exports direct and indirect minus imports direct and indirect. Indirect exports and imports are computed with the help of the input output table of the country.

The criterion of DRC is indeed superior to that of NFEE or dollar 'value added' criterion prescribed in import policy, particularly in case of a project which is primarily export-oriented and which involves

large imports (e g in 100 per cent export oriented units selection of which presumes the country s comparative advantage) DRC facilitates consideration of the social cost of the net foreign exchange earned from such a project

IV

Conclusions More Can Really Be Done

[illegible] emphasised by the recent high level official committees on industrial and trade policies on DRC analysis for comparative advantage of Indian industries in India the present paper has brought out the need for more careful estimation of DRC It is found that the practice followed in the recent empirical work done by international and national organisations individuals leaves much to be desired in terms of following the appropriate theoretical basis necessary adjustments and extension and drawing conclusions in respect of comparative advantage of the selected industries It is maintained that in view of the basic tenets of the DRC framework propounded by Bruno et al and clarified in the follow up discussions careful use need to be made of the parametric estimates (like price elasticities) required in making necessary adjustments in input and output prices and factor evaluation It is felt that more can really be done to strengthen the DRC analysis in order to draw really meaningful policy conclusions They include necessary adjustments in respect of true prices of factors of production and foreign exchange adaptation of appropriate border and domestic prices exchange rate and risk and inflation sensitivity analysis for price elasticity complimentary analysis of industrial structural ratios and projections into potential DRCs taking into account the unfavourable terms of trade of DCs and learning by doing effect is important in development process all in the macro context of the industry under consideration The macro context is extremely important to take into account insofar as the choice in industrial development may not only be make or buy but also buy learn and make and or buy make and back sale

We believe that the present band of practising economists econometricians programmers and modellers in India information technology and research financing if motivated and given due priority would not find it difficult to develop a database and analytical framework for readily usable and 'rolling' estimates of parameters (viz price elasticity) and updated input output and import coefficients we mentioned in the present paper for what more can be done in regard to DRC analysis so crucial for planning and policy formulation

How a specified database is important is corroborated by the need to have DRC estimates on the basis of a reasonable number of observations It is highly risky to draw any firm policy conclusions on the basis of one or two observations

Indeed the DRC criterion is found to be superior to the criterion of net foreign exchange earnings applied in evaluation of industrial and trade activities which has been the mainstay of sectoral and project appraisal as part of Indian planning and policies However this superiority of DRC criterion is achieved only if necessary care is taken in adopting the analytical framework

Given the manifold objectives of Indian planning DRC analysis can only be a guide to industrial development and thus should be found useful to locate the industries projects which fall in the segment of reasonably low DRC area which compared with the true value of foreign exchange continues to be one of the biggest constraints of growth viewed in a open loop system of multi sectoral framework Once an appropriate DRC framework is followed for optimal industrial development it is also essential that a symbiotic link for harmonisation is developed among the planning and policy procedures covering industrial licensing trade tariff and financial policies

Table A

η^*	Multiple $1-\frac{1}{\eta}$	MR=P $(1-\frac{1}{\eta})$ (P=Rs 1 4)	DRC $1-\frac{1}{\eta}$ (DRC Rs 6 8)
0 25	3 00	4 20	**
0 50	1 00	-1 40	**
0 75	0 33	0 46	**
1 00	—	—	**
1 25	0 20	0 28	34 0
1 50	0 33	0 46	20 6
1 75	0 44	0 61	15 4
2 00	0 50	0 70	13 6
2 25	0 56	0 78	12 1
2 50	0 60	0 84	11 3
2 75	0 64	0 89	10 0
3 00	0 66	0 92	10 3
3 25	0 69	0 97	9 8
3 50	0 71	0 99	9 6
3 75	0 73	1 02	9 3
4 00	0 75	1 05	9 1
4 25	0 76	1 06	8 9
4 50	0 78	1 09	8 7
4 75	0 79	1 11	8 6
5 00	0 80	1 12	8 5

Note Estimated P and DRC (average) of cotton textiles in India [Raipuria 1977]
* The minus sign is ignored customarily
** Negative DRC which implies that the activity is not socially profitable at any shadow exchange rate

Notes

[This paper has been prepared in the author s personal capacity The usual disclaimers follow]

1 A review of these found in the various issues of annual *Economic Survey* of Ministry of Finance and in the *Annual Reports* of the Department of Industrial Development Ministry of Industry and Ministry of Commerce

2 In fact according to BICP there is *no symbolic* [illegible] in the current procedure of the concept of DRC in awarding licence *The Economic Times* July 19 1988 p 1

3 Chakravarty [1971] has illustrated how the concept of corner solution can usefully be employed in analysis of India s political economy given the plurality of environment pronounced after Second Five Year Plan period

4 It is shown by Nambiar and Mehta [1987 followed by interesting discussions in the same journal] that there appears to be an asymmetrical link between tariff rate and the relative foreign prices the latter has a tendency to be low when tariff is high and conversely tend to be high when tariff is low and that substantial tariff reductions in the presence of imperfections in this world market are suspect the foreign produce would rob some if not all the benefits of such tariff reductions

5 How sensitive is marginal revenue (MR) and DRC to price elasticity is shown in Table A

6 Kornai [1967] introduced two separate balance of payments constraints accounting for Hungary s trade with eastern and western capitalist blocs on the basis of varying degrees of convertibility between currencies

7 For example, as defined in the context of present import and export policy for export houses and trading houses [MC 1988 A Para 212] and for 100 per cent export oriented unit scheme [MC 1988 B Appendix XXIII A]

8 Klein observed in this regard while delivering the Silver Jubilee Lecture at the Institute of Economic Growth [1984] that there is nothing in India like the long standing Mexican model project that has been used on a replicated basis for projections and policy analysis for India with frequent updating while The people are here in India The hardware is becoming increasingly available and Indian statistics are excellent

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FOUNDATION FOR RESEARCH IN COMMUNITY HEALTH

84 A Rev Thadani Marg World Trade Center
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Require

1 **STATISTICIAN** One Bombay
Gross salary at start of scale Rs [illegible]
Job Description Assist in [illegible] data analysis for all projects
Qualifications Postgraduate in Statistics [illegible] and knowledge of computer analysis on SPSS [illegible]

2 **RESEARCH OFFICERS** vacancies expected [illegible] Bombay
Pune and rural Maharashtra
Gross at scale start Rs 2750
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Qualifications Postgraduate in Economics Social Sciences etc with M Phil or 2 years of related research experience

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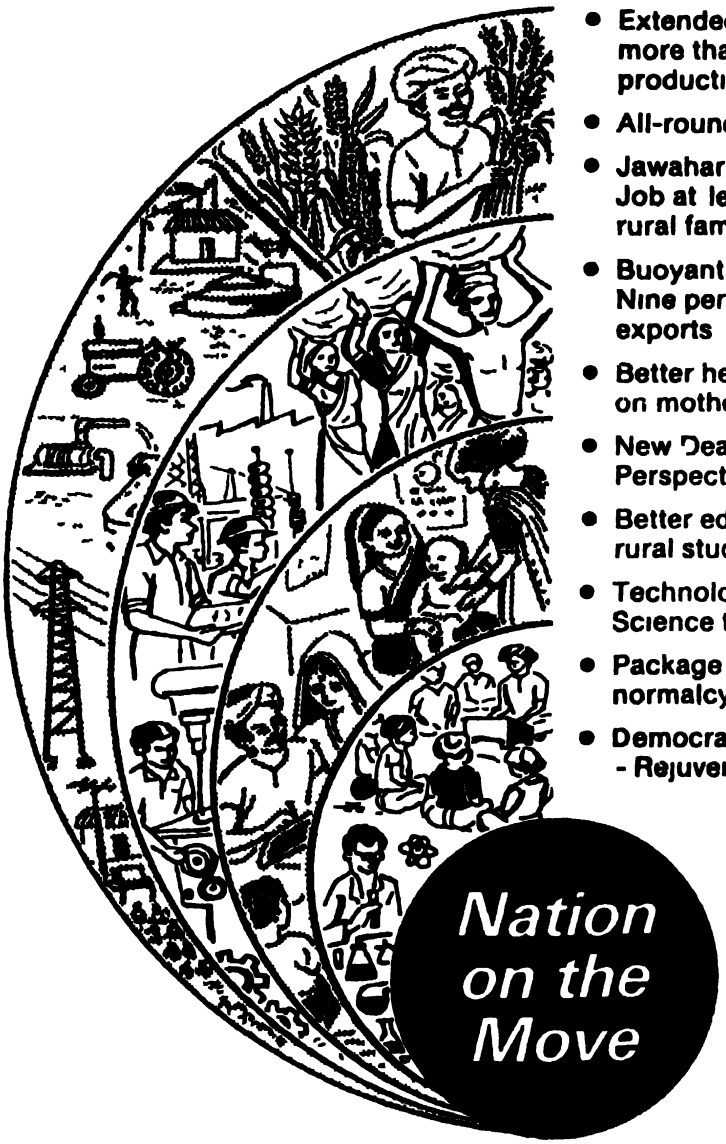

- Extended Green Revolution brings more than threefold increase in food production
- All-round Rural Development
- Jawahar Rozgar Yojana
  Job at least to one member of each rural family below the poverty line
- Buoyant Industry
  Nine per cent annual growth, higher exports
- Better health care for all - Emphasis on mother and child health
- New Deal for Women under National Perspective Plan
- Better educational opportunities for rural students
- Technology Missions initiated - Science to effectively help the poor
- Package of measures to restore normalcy in Punjab
- Democracy at the grassroots revived - Rejuvenation of Panchayati Raj

davp 80/336

FREEDOM - STABILITY - PROGRESS

Applicability of Monetary Approach to Balance of Payments

V S Raghavan
M K Saggar

THE view that money market disequilibrium plays a fundamental role in the determination of balance of payments (BP) has gained considerable importance in economic literature in the past three decades In what has come to be known as the Monetary Approach to BP (MBOP) it has been propagated that BP is essentially a monetary phenomenon Disequilibrium in BP is the direct consequence of mis match between demand for money and supply of money Furthermore a major proposition of the MBOP is that a devaluation will be successful unless accompanied by an equi proportionate expansion in domestic credit [1] The MBOP developed by the economists associated with the Chicago Workshop' in the sixties and early seventies soon became the cornerstone of the stabilisation programmes sponsored by the International Monetary Fund (IMF) [2] In fact the Fund has been an ardent advocate of the approach in case of developing countries notwithstanding its stagflationary potential and the questionable causality from domestic component of money to net foreign assets

Recently, in a case study of India, [Kannan, R, Monetary Approach to Balance of Payments—A Case Study of India, 1968-85', *EPW* Vol XXIV No 4, March 25, 1989, pp 627 636] an attempt has been made to test whether disequilibrium in the domestic money market exerts any influence on the balance of payments Applying the MBOP, the author estimates the reserve flow and sterilisation equations and uses Granger and Sims causality tests to show that the direction of causation runs from domestic credit to international reserves and not vice-versa. The author concludes on the lines that the state of equilibrium or disequilibrium in the Indian money market had a dominant influence on India's international reserves or, in other words, the MBOP seems relevant in the Indian case.

It is our considered view that the results of the study needs to be interpreted with considerable caution The MBOP subsumes all monetary and non-monetary factors under 'money' This oversimplifies BP analysis and limits its usefulness as a guide to policy-makers More importantly, the characteristics of the Indian economy are inconsistent with the conditions which make MBOP relevant Also, our own empirical results are at variance with those of Kannan and show that the theory of MBOP is not an appropriate model for explaining movements in net foreign assets in the Indian case

Historical Perspective

The MBOP dates back to David Hume [1752] and the classical price-specie flow mechanism Its contemporary revival can, however be traced most notably to the works of Harry G Johnson [1958] and F H Hahn [1959] Johnson relied on generalisation of the absorption approach to show that BP-deficit is monetary in nature resulting from dishoarding of domestic money by residents or credit creation by monetary authorities The deficit associated with dishoarding or the increasing velocity is self correcting as cash balances are run down as a consequence of external deficit The deficit then is sustained only through continuing credit creation Hahn demonstrated the short run impact of devaluation in a monetary general equilibrium on the lines of Don Patinkin's closed economy model of money interest and prices

The approach was further developed by significant contributions from R A Mundell [1968, 1971] McKinnon [1968], Frenkel [1971] Johnson [1972], Swoboda [1973], Dornbusch [1973] and Musa [1974]

Mundell introduced the money market equilibrium the external equilibrium and the domestic real sector equilibrium in his model to show that BP problems persist because of failure of authorities to balance budgets He also established a world monetary equilibrium in a two country model that links inflation, interest rates, money stocks and credit creation to BP

McKinnon's endogenisation of money supply showed the crucial role of public finance and capital mobility in BP Frenkel developed a dynamic model, integrating real and monetary sectors to show that trade or capital account surpluses reflect excess supply of goods or securities respectively, and a surplus in money account reflect an excess demand for money

Johnson developed a monetary model to establish a direct link between devaluation and domestic credit creation through a scale factor but added that improvement in BP as a result of devaluation is transitory in nature. Swoboda expounded the view that the fiscal and monetary policies should be used in tandem to seek goal of internal and external balances and that monetary policy should be assigned to external balance

Dornbusch developed a monetary approach to currency devaluation and showed that BP improves as a result of devaluation through reduction in real value of money, unless the nominal quantity of money increases equiproportionately in which case, the only effect will be an increase in domestic price level Musa studied the monetary effects of tariff policy and found that the belief that tariff improves BP was fallacious

The MBOP analysis is largely based on the Walrasian concept in which the excess demand of goods and services bonds and securities and money considered together, equals zero In an open economy macro economic framework excess demand for money causes an outflow of goods and services or sale of securities in the foreign market This leads to reserve inflow till the BP deficit is eliminated Similarly excess supply of money leads to imports of goods and services or a capital outflow The BP is therefore self correcting unless the disequilibrium is sustained by a policy of sterilisation (continued domestic credit creation) followed by monetary authorities

Inapplicable Conditions

In case of a country like India where tariff and non tariff barriers (NTBs) distort free trade and where strict control is exercised on international capital movements by the government it is difficult to accept that excess supply of money can be drained through imports and investments abroad till real cash balances become in line with desired stock of cash balances So even if sterilisation does not take place the enormous BP deficit may not be cured in a MBOP fashion

Furthermore that typical MBOP models of the 1972 tradition assumes that key economic variables and the real income or its rate of change are exogenously determined by long run full employment assumption In the small country case, prices and interest rates are assumed to be exogenously determined Also it is believed that changes in money supply brought about by movements in international reserves are not sterilised So the proponents of MBOP say that monetary authorities have no control over the international component of the money supply and can thus control only the domestic component of it

Such an analysis is far from the real world reality Full employment condition can no longer be imposed on models for several OECD countries not to speak of developing countries Why a growing economy should be considered a non growing one is difficult to understand Perhaps it stands so to bring MBOP models in tune with the IMF philosophy in which money market equilibrium takes precedence over political and economic necessities of growth

In addition the monetary approach has overlooked the fact that in most less developed countries (LDCs) as well as in several developing countries including the United States sterilisation is being effected by running a government budget deficit corresponding to a BP deficit. Sterilisation in such a manner becomes all the more important in case of a country like India where the central bank has little say in targets for fiscal deficits and in control the credit creation by banks alone.[1]

The monetarist proposition that devaluation adds to aggregate demand and is inflationary is no longer accepted as a stylised fact. Theoretical and empirical evidence advanced by recent developments in economic literature show the likelihood of devaluation being deflationary or stagflationary.

Taylor and Krugman [1978] identified devaluation with contractionary effects because with an existing trade deficit devaluation increases price of traded goods and so reduces real income at home and increases it abroad leading to a fall in home country aggregate demand. Also if trade initially balanced devaluation by redistributing income from private to government sector and from labour to entrepreneurs producing tradables (as a result of fixed increase in wages) will increase aggregate savings in the economy because of higher marginal propensity to save of the latter. This will have a deflationary effect on the economy.

Bruno [1979 1986] in his analysis of LDCs especially semi industrialised countries showed that devaluation could be deflationary in a situation where credit rationing occurs and where raw materials are being imported. The Buiter de Grauwe vicious circle hypothesis in the context of LDCs, Aukrust Scandinavian model of inflation in small open economies show that currency depreciation leads to inflation via increase in wages and prices of intermediate inputs necessitating further depreciation in turn.[4]

FUND BANK APPROACH

The justification for IMF obsession with a standard policy prescription in the name of stabilisation or adjustment is then indeed open to question. Its standard package consists of (i) A reform of trade policies judged by the yardstick of devaluation removal of NTBs and lowering of import duty structure (ii) a ceiling on monetary expansion designed to trade off inflation against growth and (iii) A cut in government deficit largely by decreasing subsidies and increasing administered prices.

The basis of the Fund's package is the underlying premise that money is the root cause of disequilibrium. It does not recognise that it is possible for inflation and BP deficit to exist when there is no excess supply of money. Both the neoclassical economists and the structuralists have demonstrated the fallacious nature of this belief. Counter examples have been

NOTICE

JAYSHREE CHEMICALS LIMITED

14 Netaji Subhas Road, Calcutta 700 001

It is hereby notified for the information of the public that Jayshree Chemicals Limited proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under sub section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the establishment of a new Division. Brief particulars of the proposal are as under

1	Name and address of the applicant	JAYSHREE CHEMICALS LIMITED 14 Netaji Subhas Road Calcutta 700 001
2	Capital structure of the applicant organisation	Authorised 4[illegible] 00 000 Equity Shares of Rs 10 each — Rs 4 50 00 000 50 000 Cumulative Preference Shares of Rs 100 each — Rs 50 00 000 Rs 5 00 00 000 Issued Subscribed and Paid up 18 48 750 Equity Shares of Rs 10 each — Rs 1 84 87 500
3	Management structure of the applicant organisation indicating the name of the Directors including Managing whole time Director and Manager if any	The names of the Directors of the Company are as under Shri G C Bangur Shri N D Bangur Shri T P Chakrabarti Dr Dara P Antia Shri V Dixit Shri A K Rungta Shri R Viswanathan Shri S S Ghosh Shri S B Mohapatra Shri M V N R Seshagiri Rao Shri S K Bangur — Managing Director
4	Indicate whether the proposal relates to the establishment of a new undertaking or a new unit division	The proposal relates to the establishment of a new Division
5	Location of the new division	512 Maker Bhavan No III New Marine Lines Bombay 400 020
6	Capital structure of the proposed undertaking	Same as in No 2 hereabove
7	In case the proposal relates to the production storage supply distribution marketing or control of any goods/articles indicate (i) Names of goods/articles (ii) Proposed licensed capacity (iii) Estimated annual turnover	Not applicable
8	In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc	The proposal relates to the establishment of a separate Division to undertake construction of buildings as contractors
9	Cost of the project	Rs 1 10 00 000
10	Scheme of finance indicating the amounts to be raised from each source	Rs 10 lacs by way of unsecured loans and balance from payments against running bills

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

Dated this 31st July 1989

K G Baldi
Secretary

developed within the Walrasian framework to show that inflation and increase in money stock can take place independently A curb on credit leads to substantial reduction in levels of employment and output by raising the capital costs Devaluation results in a deflationary impact, more so in the cases large deficits co exist with high tariff wall Import liberalisation make the BP deficit even more unmanageable at least over the short and medium run Political economy constraints do not permit a cut in government deficit in the first case. Even if they do the cuts can fuel a prolonged recessionary impact in the economy besides accentuating an already skewed distribution of income and wealth in most LDCs

Apparently there is a need for the IMF and the World Bank to re orient its programmes by looking beyond regulating money supply in a bid to attain BP equilibrium Experiences with monetarist packages for Chile and Argentina in the mid and late seventies or more lately in Tanzania and Zambia has shown that success with these programmes can at best be meteoric Chile is often cited as a success story by the monetarist but Chile's GDP growth rate turned negative after 1982 amply demonstrating that Fund programmes are costly in terms of growth There is a need to dovetail Fund's BP adjustment programme into the programmes of growth and structural adjustments being promoted by the Bank

EMPIRICAL EVIDENCE

Having elucidated the theoretical inappropriateness of the MBOP and the fund adjustment programmes we now turn our attention to the empirical validity of the MBOP proposition We had earlier stated that the results of the study by Kannan [1989] needs to be interpreted with considerable caution We shall now show that the empirical work in the area of MBOP has failed to throw conclusive evidence either in favour or against the approach In case of not so open developing economies, in particular, the applicability of the approach is all the more suspect Furthermore, the methodology adopted in Kannan's paper needs to be looked at more carefully

The paper uses the traditional approach of estimating the reserve flow and the sterilisation equation to study the causality between domestic credit and international reserves However the specification of these two equations is unique as more explanatory variables have been included than has been the convention It is however, not clear whether the explanatory power of the model has been enhanced in the process The use of wholesale prices (WP) and a separate inflation rate (RAINFLA) seems somewhat unwarranted specially when it has not been possible to estimate the expected inflation rate as a distributed lag polynomial as hypothesised with coefficient for rate of change of inflation at time t 1 turning out to be insignificant

A more serious objection with the specification of the model is the possibility of identification problem As the author writes in the paper If we adopt OLS estimation method to estimate independently offset and sterilisation equations a simultaneous bias is introduced in the equation in view of money supply identity [Kowri and Porter 1973 pp 453 54 and Magee, S, 1976, p 165] Hence we have estimated these equations by two stage least square method ' [see Kannan 1989 p 629] It is not clear from the author's write up whether he has estimated the demand for money equation simultaneously with the reserve flow and sterilisation equations In case he has not done so then we are afraid both the reserve flow equation as well as the sterilisation equation seem to be under identified making 2SLS technique inapplicable to the system

Also the use of a host of explanatory variables with only 17 observations results in a considerable loss of degrees of freedom in both these equations

Among the other studies undertaken to test validity of MBOP to Indian case the study by Sundararajan [1986] has been mentioned in the paper The study which pertains to the period 1952 77 does not say anything about the causation between domestic credit and foreign exchange reserves In addition two more studies deserve mention viz S L Bhatia [1980] and M Sohrab Uddin [1985] Bhatia finds that for India's BP during 1951 73 it is not possible to reject the hypothesis of a significant log linear relationship between the explanatory variables and the dependent variable of the reserve flow equation indicating support for the MBOP validity The study however does not include a sterilisation equation and therefore ignores the possibility of sterilisation

Sohrab Uddin's study covers the sample of three LDCs India Pakistan and Thailand His results show that the reserve flow equation fails to adequately explain the movements in international reserves in the Indian case as the R^2 is as low as 0 15 The offset coefficient is significant but does not have the expected sign Several different specifications of sterilisation equations are estimated but the fit of these equations was very poor Clearly the MBOP view was found to be not an appropriate model for explaining international reserve movement for India The results for Pakistan also provided no support for MBOP Only in case of Thailand the results were found to be not totally inconsistent with MBOP though no definite conclusions were possible from the sterilisation equation

Since empirical evidence on the applicability of MBOP to the Indian case was found to be inconclusive with results of Sohrab Uddin and Kannan being at variance with one another we decided to undertake our own empirical investigations on similar lines for the period 1960 61 to 1985 86 Our results are summarised in Table 1 and Table 2

The estimated reserve flow equation has a high R^2 (R^2 0 99) and all the coefficients are of the expected sign and significant at 5 per cent level An increase in real income (YPD) or prices (WP) is expected to have positive impact on reserves as both these variables lead to an increase in the demand for money by the public relative to the supply of money An increase in money multiplier or domestic credit leads to reserve outflow by raising the supply of money relative to its demand

From the reserve flow equation one might be tempted to argue that MBOP is applicable in the Indian case However before we are led to such a hasty generalisation it is crucial to prove that it is the domestic credit which causes changes in international reserves and not vice versa In order to see whether such a proposition holds true in the Indian case we have estimated the sterilisation equation along with the reserve flow equation by the 2SLS technique The estimated sterilisation coefficient is around

TABLE 1 RESERVE FLOW AND STERILISATION EQUATIONS

1 Reserve flow equation

$$(R/H)\ln P = 6.55677^* - 0.95351^* \ln m_1 + 1.04259^* \ln YPD + 0.67127^* \ln WP - 0.85303^* (D/H)\ln D$$

(4.58) (12.37) (6.18) (8.75) (112.46)

R^2 0.998 DW 1.538

2 Sterilisation equation

$$(D/H)\ln D = 5.56637^* + 0.43008 \ln WP - 1.17747^* (R/H)\ln R + 0.07948^* T$$

(3.01) (0.89) (32.48) (2.02)

R^2 – 0.981 DW – 1.300

Notes Figures in brackets denote t values and * denotes variable is significant at 5 per cent level

Where R Net Foreign Exchange Assets of RBI
H Reserve Money D Domestic Component of Reserve Money (D H R)
WP = Wholesale Price Index, m_1 – Money Multiplier of Narrow Money (M1)
YPD = Real income (GDP at factor cost at constant prices)
T = Time trend

−1 17 and significant at 5 per cent level, while for MBOP validity it should be approximately close to zero One is therefore, not sure of the direction of the causation

The use of Granger s and Sims' test to resolve the causality problem reveals that the causation from international reserves to domestic credit is much more powerful than vice versa For Granger s causality test the following two equations were estimated

$$\ln D_t = a_0 + a_1 \ln D_{t-1} + b_0 \ln R + b_1 \ln R_{t-1} + u_t$$

$$\ln R_t = c_0 + c_1 \ln R_{t-1} + d_1 \ln D_t + d_1 \ln D_{t-1} + v$$

For Sims causality test the estimating procedures consist of the following

$$\ln D_t = h + p_1 \ln R_{t-1} + p_0 \ln R_t + p_1 \ln R_{t-1} + U_t$$

$$\ln R = q \ln D + q_0 \ln D_t + q_1 \ln D_{t-1} + v$$

Looking at the F values summarised in Table 2 the Sims test invalidates the core proposition of MBOP that domestic credit creation leads to BP deficit while the Granger test indicates that there is a strong causal relationship from international reserves (R) to domestic credit and a weak causal relationship from domestic credit (D) to international reserves (R)

The limitations of MBOP in explaining the BP movements in Indian case are now far too obvious By merely getting a good fit for reserve flow equation one should not be tempted to accept the MBOP validity Since money is the measuring rod factors affecting BP will get reflected in money This is somewhat tautological What the BP theory should aim at is to go beyond money and look at real and financial factors[6] affecting BP

The greatest limitation of MBOP acknowledged by its proponents themselves, is that it ignores fiscal linkages to money supply process In the Indian context one of the principal source of changes in H is the net Reserve Bank credit to the government Table 3 shows that for the period 1960 61 to 1981 82 this source accounted for more than three quarters of H for most of the years Kannan (pp 635 36) also acknowledges this factor by pointing to the need for monetary targeting The political economy constraints in keeping budget deficit in check is apparent to anyone conversant with the Indian economic realities

TABLE 2 GRANGER AND SIMS CAUSALITY TEST

Null Hypothesis	F Values
Granger s test	
1) R does not cause D	11 00*
2) D does not cause R	4 71*
Sim s test	
3) D does not cause R	0 71
4) R does not cause D	3 30

Note * Denotes F-value is significant at 5 per cent level

NOTICE

It is hereby notified for the information of the public that **SICA BREWERIES LIMITED** proposes to give to the Central Government in the Department of Company Affairs New Delhi a notice under sub section (1) of section 21 of the Monopolies and Restrictive Trade Practices Act 1969 for substantial expansion of their undertaking Brief particulars of the proposal are as under

1	Name and address of the owner of the undertaking	SICA BREWERIES LIMITED Ayyankuttipalayam Muthirapalayam P O Pondicherry 605 009
2	Capital structure of the owner organisation	AUTHORISED 1 00 000 9 3% redeemable cumulative preference shares of Rs 10/ each Ordinary 14 00 000 equity shares of Rs 10 each ISSUED SUBSCRIBED & PAID UP Ordinary 14 00 000 Equity Shares of Rs 10/ each fully paid up
3	Location of the unit or division to be expanded	Ayyankuttipalayam Muthirapalayam P O Pondicherry 605 009
4	In case the expansion relates to the production storage supply distribution marketing or control of goods indicate	
	i) Name of goods	BEER
	ii) Licensed capacity/turnover before expansion	50 000 HL per annum
	iii) Expansion proposed	The applicant proposes to increase the total capacity to 2 00 000 HL per annum
5	In case the expansion relates to any service state the extent of expansion in term of usual measures such as value turnover income etc	Not applicable
6	Cost of Project	Rs 330 00 lacs
7	Scheme of finance indicating the amounts to be raised from each source	The entire finance will be met from internal resources

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhawan New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

R L JAIN SECRETARY

Name & designation of the principal officer of the undertaking issuing the notice

Dated this 3rd day of August 1989

Table 3 Contributory Factors to Reserve Money 1960-61 to 1981 82

(Rs crore)

Years	Reserve Money (RM)	Net RBI Credit to Government	RBI Credit to Commercial Sector	RBI Net Foreign Assets	Other Liabilities (-)	Net RBI Credit to Government as Per Cent of RM (Col 3 as Per Cent of Col 2)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1960-61	2233	1899	193	185	44	85 04
1961-62	2349	2068	185	17	21	88 03
1962-63	2537	2266	222	90	41	89 31
1963-64	2791	2467	267	118	61	88 39
1964-65	2971	2587	357	101	74	87 07
1965-66	3256	3003	287	59	93	92 22
1966-67	3462	3096	365	135	124	89 42
1967-68	3695	3262	370	161	98	88 28
1968-69	4000	3504	442	396	242	87 60
1969-70	4444	3517	595	566	234	9 14
1970-71	4822	3843	774	530	325	79 69
1971 72	5381	4689	762	608	679	87 13
1972 73	6033	5472	746	569	754	90 0
1973 74	7273	6233	1291	661	912	85 70
1974-75	7604	6655	1644	369	1064	87 51
1975 76	7807	6915	2049	924	2081	88 5
1976-77	9798	7218	2302	2599	2321	73 66
1977 78	10941	7387	1880	4532	2858	67 51
1978-79	14083	9001	2367	5431	2715	63 90
1979-80	16573	11804	2746	5388	3365	71 22
1980-81	19443	16443	2976	4	4751	84 57
1981-82	20975	20440	3717	2 06	5888	9 45

Source Supplement to the Reserve Bank of India *Occasional Papers* Vol 3 No 1 June 1982

This may be the single biggest factor which neutralises the possibility of BP correction through control of money supply

Notes

[The views expressed in this article are those of the author(s) and not of the institution to which they belong]

1 Initially, the monetarists felt that since devaluation is a one shot affair it can only be a transitory factor in improvement of BP See Johnson [1972] for instance. They believed that devaluation was inflationary as it adds to aggregate demand The Fund economists, however view this MBOP view as a theory which highlights the need for contractionary demand management policies like credit ceiling to accompany a devaluation

2 The 'Chicago Workshop' views can be found in Frenkel, J A and Johnson, H (eds) (1976), *The Monetary Approach to Balance of Payments* (London, George Allen and Unwin) A collection of research papers of Fund economists is presented in IMF *The Monetary Approach to Balance of Payments* (IMF, 1977)

3 D A Currie [1976] brings out the implications of sterilisation through fiscal deficits by hypothesising a situation where government deficit equals the BP deficit In this situation even if the monetary authorities do not intervene in any other way, the drain of high powered money (H) as a result of BP deficit may be entirely offset by an equal expansion of H to finance the government deficit Domestic credit will then expand by a multiplicative of H

4 The vicious circle of cumulative depreciation cum inflation is equally likely in the case of the Indian economy where most imports are of intermediate nature Moreover since imports are mostly licensed against export commitment depreciation will also affect export-competitiveness of Indian goods The stagflationary potential of devaluation and its adverse impact on trade balance in such a case is far too obvious Output may fall in a dynamic fashion as scale economies are affected

5 The convention in the literature has been to solve the two equations on reserve flow and sterilisation simultaneously using 2SLS method

6 Here, we make a distinction between MBOP and the Asset Market Approach (AMA) to BP AMA is an extension of MBOP It however recognises the alternative to hold funds in form of wide array of financial instruments and so enables one to understand the capital account movements in BP The AMA propagates that asset market imbalances affect interest rate differentials and expectations of exchange rate changes which affect the capital flows

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TRENDS OF CHANGE IN INDIAN SOCIETY SINCE INDEPENDENCE

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Invention of Tradition

In contemporary Indian theatre, to what extent has 'tradition' been used in the context of 'handing over knowledge' or 'passing on a doctrine'? And to what extent has it been 'invented' in response to larger political, economic and social factors? 1907

Myth of Land Reform

Evaluations of the implementation of tenancy legislation in Karnataka without taking stock of the extent of tenancy in the pre-land reform period have tended to overstate the success of land reform in the state An attempt to assess the gravity of the problem of tenancy in Karnataka at the time of the reorganisation of states in 1956 and, on that basis, to identify the effect of tenancy legislation in changing Karnataka's agrarian structure 1896

Too Little Too Late?

The Common Fund for Commodities which has at last been ratified by the required number of countries and is to be based in Amsterdam has come into existence a decade too late and a billion dollars too short in terms of the funds at its disposal 1885

Planning and the Capitalist Path

[illegible] of change in Indian society in the last 40 years can be understood properly only if it is firmly grasped that they are the consequence of the specific path of capitalist development pursued by the rulers their public proclamations of commitment to a socialistic pattern of society to centralised economic planning and to building up the public sector notwithstanding 1887

As economic planning in India approaches the end of its fourth decade a sufficient time span now exists to allow an adequate consideration of its longer term functioning and achievements in relation to both the domestic and the foreign sectors
Report on a conference 1877

Cheerless Teachers

The start of the new academic year in Maharashtra has brought little cheer to college and university teachers in the state Even after two long drawn and bitter strikes in the last two years the pay and perks problems of the teachers which have occupied so much of their energies for the past decade, have yet to be settled and it does not appear that teachers and the leaders of their organisations will be able to turn their attention to pressing educational tasks 1875

Lopsided Growth

Dissection of the growth of the electronic industry in India shows that with investment decisions left to market forces under the government's economic liberalisation policies much of the investment has been guided towards less capital intensive and quick profit yielding consumer goods based on imported and penultimate stage raw materials This lopsided product structure has had its adverse effect on the industry's capability to generate value added employment and foreign exchange and has also severely restricted the electronics industry's impact on the growth and modernisation of the industrial sector as a whole 1915

Gathering Storm

Article 368 of our Constitution is an open ended invitation to a cynical government such as the present one to push through amendments which progressively snuff out democratic functioning Some recent political occurrences provide ominous pointers 1871

Language speaks the political man Face to face with the general election prime minister Rajiv Gandhi has found a new language which now speaks him rather than he speaks it He treated the Lok Sabha to a fascinating taste of the new language of electoral politics on the occasion of the introduction of the urban bodies bill 1869

Expert opinion on the state of the economy and the government's economic policies is increasingly tending to converge and economists of different political persuasions now acknowledge the crisis situations building up on many fronts 1873

Dowry Debate: Responding to a Misrepresentation

PLEASE refer to the dowry debate (C S Lakshmi J P Jain Madhu Kishwar Veena R Poonacha and Usha R Talwani) Even after Madhu Kishwar made it clear that she has never argued in favour of treating dowry as inheritance Lakshmi Veena and Usha continue to misrepresent her and criticise her and me for supporting her argument This can only be described as intellectual dishonesty

Veena and Usha accuse me of wishing away unpalatable facts by refusing to accept the veracity of the example cited by Lakshmi as proof that dowry is something that forces fathers to sell their kidneys Let me give a few facts in favour of my conviction that *anti dowry campaign without effective inheritance rights for women is anti women* Let Veena and Usha decide whether they find them palatable

I have five sisters all of whom are married The oldest age of marriage was 24 years Now I am 32 years old and if I calculate the rental value of my parents house where I have lived for at least eight years more than any of my sisters it amounts to much more than the dowry given to any one of them even after taking into account the inflation and interest Whenever I raise the question of my sisters shares in this house it evokes the most hostile response from my parents and brothers My sisters of course never dare raise the issue They in fact dare not think of a right even to stay in their parents house even for a week of their own volition

When my youngest sister Santosh was married she was of course not involved in any decision making except the choice of colour and design of her sarees chappals etc My father provided a dowry that was much less than the amount he had promised to her in laws This was certainly not for lack of means because soon afterwards he invested heavily (more than the dowry amount) in buying conveyance for one of his sons and in enlarging his house My sister had to face harassment at the hands of her in laws for the breach of promise Even now whenever my sister raises this issue with my father she is shouted down for being too greedy for dowry Now if my father relates his version to the anti dowry campaigners like Lakshmi Veena and Usha they will be easily duped into sympathising with him without verifying the (unpalatable) facts behind the whole episode

I will highlight the profile of an anti dowry campaigner by citing another example Recently my brother beat his wife (her name is Veena) and she approached a social worker, Savita Dogra The social worker took her to the police station and despite my sister in law's vehemant assertion that there was no dowry demand in this case, she made her lodge a complaint of dowry harassment She also collected her group of anti dowry campaigners and raised slogans against dowry in front of my brother's house The irony of the whole episode is that the social worker told my sister in law at the police station that she was getting her daughter married and was going to spend about a lakh of rupees for this marriage When she was to justify the giving of dowry to her daughter she clarified that it was not dowry because she was giving it of her own volition and without any demand for it from the groom

All the cases of bride deaths (suicides and murders) I have come across amongst my relatives neighbours and acquaintances were described by the parents as dowry deaths but on slightest of probing none of them was remotely connected with any dowry demand (I have not revealed the names here for lack of space but if Lakshmi Veena and Usha are interested I can introduce them to at least six such cases) My point of contention is that by branding these cases as dowry deaths attention is diverted from the real and widespread forms of domestic harassment of women and their lack of options especially the lack of assurance of a place in their parents house and the consequent inability to walk out of a violent marriage

It is easy to state for argument's sake that inheritance implies a share in the family property on the death of parents but apart from my own example if they only look around Veena and Usha will see innumerable examples of sons continuing to live in their parents house even after marriage and taking possession of business land shops etc and other income generating assets much before the death of their parents

Lakshmi says that when dowry becomes a condition for marriage the woman also accepts other terms that go with it like working or not working deportment responsibility for household work ritual celebrations choice of having children accepting a partner chosen by parents etc I would like to know from Lakshmi how many cases of refusal of these terms have followed refusal of dowry I can certainly give her examples of marriages amongst my acquaintances where young girls have been married to widowers (who have children or who are bride murderers) and to bigamous grooms (Hindus) to save on dowry and to get rid of the girl at the same time

When Lakshmi says that a working woman's job is also considered dowry, does she as an anti-dowry campaigner recommend that women should not work for income after marriage? Again consider the case of 15-year old Sneh Lata who immolated herself because her father had decided to mortgage his house for her marriage I don't imply that her father should have sold his house to provide for her dowry What I contend is that when the parents who perpetrate the custom of dowry by demanding it for their sons and then criticise it at the same time the only purpose this criticism serves is to make the girl feel guilty of a 'crime' which she is not even given a choice not to commit Dowry is a ploy to deny the daughters a right in the property of parents and it can only be eradicated by ensuring inalienable equal property rights to the daughters

When I ask for the address of the supervisor who donated his kidney to arrange for the future dowry of his daughters I am not doubting the veracity of an unpalatable fact I merely want to convince myself that there exists a male victim of dowry because so far I have only heard of female victims of this abominable custom Even in the example given by Veena and Usha it is a woman who is victimised and I shall not desist from expressing my curiosity to know whether the mother of the maid servant made her sons also sacrifice their careers in the same manner as she made her daughter do

I have tried to give names in all the examples quoted by me and I am always available to help in establishing the veracity of every example given by me

J P JAIN

Delhi

SUBSCRIPTION RATES

Inland

[illegible] Bangladesh and Nepal)

[illegible] year	Rs [illegible]
[illegible] year	Rs 65[illegible]
[illegible] years	Rs 995
[illegible] months	Rs 140
[illegible] year	Rs 950
[illegible] years	Rs 475
Three [illegible] year	Rs 700

Concessional Rates

	One year
[illegible]	Rs 900
[illegible]	Rs 150

[illegible] rates are available only in India To avail [illegible] certificate from relevant institution [illegible] essential

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	Annual	
	Institution	Individuals
Surface mail (all countries)	US $ 60	US $ 40
Air mail		
Pakistan and Sri Lanka	$ 60	$ 40
Other Asian countries	$ 70	$ 60
Africa Australia Europe and Japan	$ 85	$ 75
South and North America and New Zealand	$ 100	$ 90

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ECONOMIC AND POLITICAL WEEKLY

Charade of Debt Relief

WHEN the Brady Plan was first announced doubts were expressed in these columns about how much difference it would actually make to the third world's debt problem It may have marked an advance over the Baker Plan in conceding the case for reducing not just the burden of debt servicing but also the burden of debt itself though the basic objective evidently remained that of ensuring some net inflow of new capital into the countries burdened with heavy external debts By envisaging debt reduction as well the Brady Plan could be said to have shifted the emphasis in the matter of debt relief to the long-term However the fact remained that if the immediate purpose was to ensure a net capital inflow into the debt-ridden countries the impact of whatever debt relief plan was worked out on current debt servicing (i e outflow on account of repayment of principal and interest) had still to be the touchstone The doubts expressed in these columns with respect to the Brady Plan related to its vagueness not only on the numbers envisaged but also on the size of net capital inflow aimed at in return for the conditionalities imposed on the debtor countries Of course the basic argument against the Brady Plan is also its predecessor the Baker Plan, has been that it takes no account of the debtor country's debt servicing capacity as reflected in its export earnings Any plan that ignores this basic statistic is bound to come to grief

Now after a long and gruelling process of negotiations extending over a period of four months has emerged an agreement said to have been negotiated under the Brady Plan In fact Nick Brady, US treasury secretary is reported to have been personally involved in the final phase of the negotiations among the parties involved namely Mexico and the major lender banks, with the World Bank and the IMF possibly making their inputs from the sidelines According to the agreement, the commercial banks to whom Mexico owes some $ 69 billion--out of the country's total external debt of $ 100 billion—have been offered three options (1) they may reduce the outstanding existing loans by 35 per cent and swap them for 30-year bonds (2) they may reduce the interest rate from the present floating rate currently 9 5 per cent but which has ranged from 9 to 14 per cent, to a fixed rate of 6 25 per cent on 30-year bonds of the same face value as existing loans, and (3) lend new money to the extent of 25 per cent of their current exposure over the next four years The interest payment on bonds accepted by banks under this arrangement is guaranteed for the next 18 months at least The World Bank, the IMF and Japan have joined Mexico in setting aside $ 7 billion to finance the guarantees The US treasury will provide an immediate bridge loan of $ 2 billion

What does it all add up to? When the negotiations started, the Mexicans' target was a 55 per cent reduction in their total bank debt It now appears that under the plan agreed upon, debt reduction may not exceed $ 4 billion, i e a mere 6 per cent of Mexico's total debt to the banks As for reduction in interest payments the most optimistic estimate, as put out by the US treasury, is $ 1 5 billion as against Mexico's annual interest payments bill of $ 9 6 billion This means a reduction in interest payments of 15 5 per cent Whether or not some banks will choose at all to opt for the third alternative, namely to lend new money without agreeing to any dilution of their existing loan or the interest due thereon only time will tell But here again the best that can be counted upon is a capital inflow on this score of $ 2 5 billion All this does not by any means ensure that Mexico will at the end of the day when all the details have been worked out be anywhere in sight of a net capital inflow under the new accord so that the country can think of rebuilding its economy and putting it back on a reasonable growth path

Mexico was not being over-ambitious in expecting a sizeable reduction in debt and debt servicing After all, it has been known for some time now that third world debt has been traded in the secondary debt market at discounts exceeding 66 per cent With guarantees forthcoming under the Brady Plan from the international financial institutions and countries like Japan over and above the pledging of resources by Mexico itself it surely was not too much for Mexico to look forward to a 55 per cent debt reduction But all that Mexico may actually end up with is a debt reduction of a mere 6 per cent Interestingly, it would appear that if the accord Mexico has been able to work out with its creditor banks is taken as a guide, the situation today is not significantly different from what it was in the period after the Baker Plan was announced in 1985 It is still to be a matter of case by-case negotiation of some reduction or staggering of the debtor country's current debt servicing liability in return for the country accepting various conditionalities

This proves the doubting Thomases generally right when they are cynical about these so-called debt relief plans—Baker, Brady or what have you All these plans are really meant not to help the debtor countries but to give the creditor banks more time to make adjustments The debtors will continue to be kept on a leash, no matter how high the discount on their debt in the secondary debt market If anything, the accord on the Mexican debt exposes more plainly the real intent behind these debt relief plans What is significant is that even the so-called multilateral institutions are ready to play this game. But whoever said that these institutions did not ultimately take their orders from the few rich and powerful nations?

KARNATAKA

Suppressing Peasant Struggles

AURANGABAD in Bihar Warangal in Andhra Pradesh Bastar in Madhya Pradesh and now it is the turn of Raichur in Karnataka The police have begun to terrorise peasants who dare to fight against the feudal oppression of their landlords

Over the last few months several activists of the PYC (Progressive Youth Centre) an organisation which had been leading peasants struggles in Karnataka, have been arrested tortured and implicated in false cases by the Karnataka police The so called anti Naxal squads of the Karnataka state government in collaboration with their counterparts of the Andhra Pradesh government (since Raichur borders Andhra Pradesh) are known to have stepped up their operation against peasants organisations in these areas On July 6 two activists of the PYC Chouri and Babu were arrested from a village in Raichur and till today have not been produced before any court On August 3 a young advocate Narasappa who had earlier intervened to locate Marappa the district secretary of the Raichur PYC (who was taken away by the police some time ago) was dragged out from his house by the police beaten up and taken into custody Now the Raichur superintendent of police has issued a statement alleging that both Marappa and Narasappa had been involved in a bank dacoity

The role of the judiciary in Karnataka as in other states in similar cases has been deplorable When a *habeas corpus* petition was filed for the production of Chouri and Babu before a division bench of the high court the two judges comprising the bench dismissed the petition (on August 2) Incidentally the same two judges on an earlier occasion had dismissed a writ petition filed by civil liberties activists in connection with the arrest of Veeramani the state secretary of the PYC who was handed over to the Tamil Nadu police by the Karnataka police The Tamil Nadu police implicated Veeramani in a bank dacoity case but had to release him in January 1989 after three and a half months when they admitted that he had had nothing to do with the dacoity

The ire of the Karnataka government against PYC is understandable Along with its sister student organisation the Pragathipara Vidhyarthi Kendra (PVK) it has been spearheading struggles all through Karnataka against the eucalyptus plantation programme of the government, the Kaiga atomic power plant and other cases of environmental degradation Since its inception in 1981 it has been active in the struggles of the textile workers and the release of bonded labourers in Kolar district From 1986 it started organising the peasants in Bidar and Raichur In Bidar the Karnataka governent collected thousands of acres of land from the small farmers to promote eucalyptus plantation in order to supply timber to the Birla factory The PYC launched a struggle for the reoccupation of these lands and to restore foodgrains production there In Raichur the PYC organised peasants in some villages to fight against the oppressive landlords there

State governments, whether run by the opposition the Congress(I) or the president (as in Karnataka today), never learn from the past Wherever the authorities had treated peasant's struggle against feudal oppression as a law and order problem and had deployed the trigger happy police to suppress peaceful democratic demonstrations, and wherever a servile judiciary had refused to protect the victims of such oppression, the poor peasants had been forced to take up arms and seek justice outside the prevalent politico juridical system Raichur may be forced to go the way tro den by the peasants of Bhojpur Aurangabad Jehanabad Adilabad Warangal and now in the forests of Bastar

SUGAR

Production Expectations Belied

OVER the last two months, sugar prices have been rising continuously Although the government has taken a number of steps such as higher monthly releases, restrictions on a weekly basis on the sale and despatch of sugar by factories and imposition of stock limits on traders, it has not been successful in arresting the spiralling prices Rather the trend has become more bullish in recent weeks Last month, for the first time in eight years, the open market price of sugar touched Rs 9 a kg at the retail level This month it has gone up further Currently sugar prices in the wholesale markets are ruling between Rs 940 and Rs 975 a quintal Trade circles expect them to cross the Rs 1,000 mark soon in view of the festival season At the retail level, the prices will be well above Rs 10 a kg In large parts of the country sugar is no longer available at the controlled prices through the public distribution system

A number of factors have contributed to the unprecedented spurt in sugar prices in recent weeks Although the country had started the current sugar season on an optimistic note, there has been a big drop in sugar production in the past few months Consequently, against the initial expectation of sugar production touching a new peak of 10 2 million tonnes in the current sugar season (October 1988 to September 1989), surpassing the previous season's output of 9 1 million tonnes by over a million tonnes production may actually turn out to be only about 8 7 million tonnes, even as consumption is expected to cross the 10 million tonne mark The optimistic projection made initially was based on Krishi Bhavan's forecast at the commencement of the season of a record sugarcane crop of 198 million tonnes, an impressive increase of 18 million tonnes over the previous season's production of 180 million tonnes As it turned out, the agriculture department's forecast of cane production was wide of the mark Actual production of sugarcane is unlikely to exceed 185 million tonnes In fact cane supplies to sugar mills in different parts of the country had almost dried up by April-end and a majority of the mills had to discontinue their operations The sugar industry had been able to achieve a record production last year mainly because it had managed to corner a larger share of the available cane at the cost of gur and khandsari units by offering much higher prices to farmers This year, the opposite has happened

With the big drop in production, earlier hopes of the country becoming self-sufficient in sugar and even emerging as a net exporter have been dashed, and the government has had to consider importing at least five lakh tonnes worth over Rs 500 crore. The delay in the release of foreign exchange for sugar import has added to the upward pressure on prices There are also reports of large quantities of sugar being smuggled out of the country, accentuating the shortage These reports may not be baseless as sugar prices in Nepal and Bangladesh are known to have crossed Rs 30 a kg

The proposed nation-wide strike by sugar industry workers in the coming sugar season on the pending wage revision issue has also added to the bullish sentiment Naturally, speculative forces have become very active There is reason to believe that substantial stocks have gone underground in anticipation of the shortage getting aggravated The government notification imposing restrictions on sale of sugar among wholesalers in Punjab, Haryana, Uttar Pradesh, Bihar, Andhra

Pradesh, Tamil Nadu, Karnataka, Gujarat, Maharashtra and Delhi has had no effect The hike in the minimum margin requirements for bank credit by the Reserve Bank from July 20 by 7 5 per cent to 25 per cent on sugar stocks with mills and by 15 per cent to 75 per cent on stocks with trade has also failed to curb the rising prices

WEST BENGAL

Hasty Action

THOUGHTLESS action by the Left Front government has landed its leading partner in a messy situation All on a sudden and without any sort of notice either to the general public or to the institution/persons concerned and even without mutual consultation within the Front the local self government and urban development minister CPI(M)'s upcoming young leader Buddhadev Bhattacharya superseded the Congress(I) held municipal administration in the town of Behrampore in the Murshidabad district

The state Congress(I) which had been presumably on getting the nod from the party high command in New Delhi trying to put up some sort of a counter show in CPI(M) led West Bengal to blunt the edge of the opposition's Bharat bachao campaign if and to the extent possible received the Left Front government's Behrampore ukase as a god send Less than a week ago the state Congress(I) had organised a not at all unimpressive 'jail bharo' campaign on August 2 in the course of which it was able to invite police lathi charges in several places in a number of south Bengal districts More than 75 Congress(I) workers were reportedly injured and 55 000 arrested according to official estimates The state Congress(I) chief A B A Ghani Khan Chowdhury who had personally led the show in Calcutta called upon his followers 'to free West Bengal from the clutches of the CPI(M) and its allies "There is" he declaimed, 'the need to purify the soil of West Bengal and if in doing so some lives have to be lost, so be it"

With this as the immediate background, Chowdhury's party lost no time in responding to the government's provocation with a wide-fronted counter attack, ranging from a writ petition to the Calcutta High Court through a series of meetings and demonstration to a quite impressive bandh in Behrampore town and its vicinity The last was accompanied by the usual quota of police lathi charges It would be premature to conclude that the agitation has run out of steam

What compelled the Left Front government/minister to take the drastic step of superseding an elected body at this particular juncture is not at all clear The official explanation about the prevalence of corruption and inefficiency hardly washes For these are not unique accomplishments of the Behrampore municipality The leading municipal institution the Corporation of Calcutta, presently headed by a CPI(M) mayor cannot be said to have outgrown its well known traditional epithet of chorporation--a thieves den Even the CMDA directly under the minister who initiated the supersession has recently been castigated by the CAG for similar failings in more than a dozen cases Let alone public opinion the minister has failed to carry conviction even with his Front partner the Forward Bloc

This light hearted - and light headed action of the CPI(M) minister clearly betrays his- and his comrades' lack of understanding of the gravity and explosive potentialities of the prevailing situation in the wake of the opposition's withdrawal from the Lok Sabha and the circumspection that the situation demands of the Left leaders

NICARAGUA

Qualified Victory

MANIFEST DESTINY' appears to have come a cropper in its own backyard The Contras have been all but laid to rest with the signing of the Tela agreement by the five Central American presidents - those of Costa Rica El Salvador Guatemala Honduras and Nicaragua—and the US which, having revived the Monroe doctrine had taken to prowling about the region has emerged from the caper more than a little embarrassed The accord signed ten years after the Sandinista National Liberation Front ousted the effete Somoza regime offers hope for the termination of the devestating eight year old civil war between the Sandinistas and the Contras that has left in its wake a trail of destruction The five nation pledge disavows the use of their territories for destabilising other states and seeks to prevent aid to armed groups The accord envisages the demobilisation and repatriation of the Contras to be effected through the instrumentality of the International Commission of Support and Verification consisting of the secretaries-general and representatives of the United Nations and the Organisation of American States, which is to be formed within 30 days of the signing of the agreement The com

TWENTY YEARS AGO

EPW August 16, 1969

With the outcome so precariously dependent on the frisky consciences of so many self proclaimed Gandhians, this is not the best time to write about the power struggle in the Congress The safest course in the circumstances is to go back to the beginning and ask what it is all about Is it really a fight for the presidentship stemming from the calculation that in a fluid political situation, such as might emerge after the 1972 general election or much earlier, the president could decisively tilt the balance of power within the party? Or is it the conflict over ideology with the prime minister deciding that the time had come to translate socialistic slogans into action? Or is it again a tussle between those who are surreptitiously seeking an understanding with Jana Sangh Swatantra and those who are looking for an opening to the Left? None of these, it appears is of the essence of the matter The present conflict really represents the surfacing of issues left unsettled at the time of the supposedly smooth succession after Jawaharlal Nehru Both Lal Bahadur Shastri and Indira Gandhi had secured the prime ministership with the so called Syndicate's active support Apart from the fact that it could not agree on anyone else Indira Gandhi was supported by the Syndicate because the party needed a vote catcher for the 1967 election Relevant as this calculation was, it was not enough to ensure a working relationship between the party and the prime minister It did not take the Syndicate long to find out that by virtue of her office the prime minister acquired a position in the party which upsets its own king maker relationship with he For her part the prime minister realised that without much greater direct influence over the party she would be permanently cramped in her role as the head of the government and leader of the party in parliament For the first time conflict between the organisational and the governmental wings which had been confined to the state level during Nehru's time now emerged at the centre and has persisted ever since As the developments of the last few days have once again confirmed when the chips are down effective power in the Congress is with the state leaders Factional squabbles at the centre encourage factionalism lower down and foster opposition to established state leaders From this point of view these leaders have an interest in backing the prime minister because they know that there is practically no stable alternative to her

mission is to be entrusted with the responsibility of facilitating the demobilisation, repatriation or relocation of the Contras within 90 days of its constitution The Tela accord follows a bilateral agreement between Honduras and Nicaragua trading off mutually contentious issues Thus, Honduras agreed to demobilise the Contras in response to the Nicaraguan offer to withdraw the charges it had lodged with the International Court of Justice at the Hague, and drop the demand of compensation for loss suffered due to the activities of the Contras operating from Honduras

Semantic hair splitting may yet pose a few problems The word voluntary in the original Spanish text lends itself to differing interpretations While president Ortega of Nicaragua holds that the word voluntary pertains only to the issue of repatriation and relocation and that disbanding the Contras is mandatory both Arias of Costa Rica and Azcona of Honduras have categorically rejected the use of force in the disbanding process But this discord between the signatories can bring little solace to the Contras Even if demobilisation is to be a voluntary exercise the Contras will nevertheless be adversely affected In the first place there are an estimated 3,000 to 4,000 men forcibly conscripted into their ranks Consequently voluntary disbanding will find takers among at least a fourth of the total Contra muster of 10,000 to 12,000 currently sheltering in Honduras Again, the complexion of regional politics has undergone a transformation Honduras, which played host to the Contras for long, is no longer keen on their continued presence lest it lead to internal instability The terrain, thus, is altogether too hostile for Contra activities Bereft of the kind of support that they have been accustomed to receiving from their benefactors the military potential of the Contras is likely to be severely attenuated In the face of such odds sheer survival demands the repudiation of armed struggle Consequently demobilisation is an eventuality that they will have to accept

Their last hope too has been reduced to mere straw The Bush administration's last ditch effort to prop up the Contras by pressurising the other Central American leaders to delay the disbanding until the forthcoming February polls in Nicaragua on the ground that the Sandinistas might renege on their commitment to conduct elections, has yielded no results With the emphatic refusal to make the demobilisation conditional on the Nicaraguan election the Contras have been left without an option

The agreement has provoked strong reactions from right wing Republicans, who have criticised the administration for permitting what they term 'a sell out of Contras The administration has in response conveyed its displeasure to Arias However American displeasure unaccompanied by tangible expressions of it—economic or military intimidation—appears to have had little effect

The Sandinistas will have every reason to welcome the termination of a war that, in eight years has ravaged the farm economy put the exchequer under severe strain and most importantly left 58,000, out of a population of about 3 5 million either dead or wounded The Contras, likened in Reagan's panegyrics to the American founding fathers' and recipients of military training and aid from the US, had made a fetish of attacking schools and health centres and wiping out the landless beneficiaries of the agrarian co operative reform movement, in an effort to obliterate the visible achievements of the revolution However, the removal of the military threat is only a partial salve for the Sandinistas' problems There is first, the problem of post war reconstruction to be undertaken in the face of a sustained US embargo Moreover the agreement is not likely to stop covert US interference in Nicaragua For the February 25th election involving 21 parties including the Contras, the US has been generous in funding the opposition If anything has changed in the US policy towards Nicaragua it is the form more than content The Reagan administration's palpably obtuse policy of aggressively transplanting a 'Rambo' fantasy on an unyielding reality derived from an overdeveloped phobia for left wing regimes The same pathological condition, which sees a security threat in an impoverished nation of 3 5 million people, still lies at the root of the current administration's policy towards Nicaragua Reagan refused to let reality contaminate his vision and persisted with the military option, which included such disreputable intriguing as the Iran-Contra scandal The current administration, a little more in touch with Central American reality, recognises that military options short of direct invasion will not produce the desired end Consequently it will not be unlikely if the US turns to covert activities, at which it is far more adept, in order to destabilise the Sandinistas

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LARSEN & TOUBRO

Focus on Core Sector

LARSEN & TOUBRO has turned in encouraging working results for the 18 month period ended March 1989 Sales have amounted to Rs 1 085 crore against Rs 559 crore for the previous period of 12 months gross profit is Rs 109 crore against Rs 67 crore and net profit is Rs 42 crore against Rs 28 crore These figures however show significant contraction of profit margins The directors have recommended a dividend of 30 per cent against 20 per cent paid for the preceding 12 months The distribution is covered 2 45 times by earnings as against 2 65 times

Cement production was 23 66 lakh tonnes The second cement plant at Awarpur went into commercial production in October 1987 and its operations were stabilised by January February 1988 The shipping division performed well due to the sharp increase in freight rates since the first quarter of 1988

The company fared well on the export front too It exported hydraulic excavators to Iraq and suspended particle drying plant for dyestuff to Thailand It also received an order for two such plants from the USSR The company has entered the South Korean market for air circuit breakers Its bottle closures are exported to several countries against stiff competition from established international companies Castings were exported for the first time to West Germany and Nepal The company also received an order for export of floppy disk drives to USSR

The company has developed capability to weld duplex stainless steel used in process skids and modules for offshore oil platforms and x 20 alloy steel used in high pressure piping in thermal power plants The company s heavy engineering complex at Hazira has become fully operational to undertake heavy and sophisticated fabrication Located on the water front it has facilities for load out and lifting 500 tonnes apiece The company has successfully diversified into the field of 400 kv transmission lines and its unit for fabrication of transmission line towers at Pondicherry is ready for commercial production

The company has received a letter of intent for the manufacture of wheeled tractor loader backhoe at Pithampur MP The company has entered into collaboration agreements with Sundstrand Sauer USA for the manufacture of axial piston units with Case Vibromax West Germany, for the manufacture of vibratory compactors and with JI Case USA for the manufacture of wheel loaders A memorandum of understanding was signed between the company and Colas SA of France for setting up a joint venture company for the production of asphalt emulsion At Mysore the company is implementing a new project for the manufacture of medical electronics products viz electro surgical equipment ECG equipment ultra sound scanners and patient monitoring systems

Commenting on the prospects the new chairman Dhirubhai H Ambani says there are very good immediate prospects of booking orders in the areas of modernisation of steel plants nuclear power programme oil and gas petro chemical complexes etc The company has already booked some large orders since the beginning of the current financial year The management is also planning to get into new activities related to the core sector of the Indian economy

ESSAR GUJARAT

Export-Oriented Steel Project

ESSAR GUJARAT has registered all round growth in turnover and profits in the year ended May 31 1989 Total income rose from Rs 47 38 crore to R 0 5 crore Gross profit rose to Rs 19 91 crore (Rs 13 82 crore) and net profit after depreciation and taxation was Rs 10 28 crore (R 6 10 crore) The directors have recommended a dividend of 35 per cent on the increased equity base

The three divisions of the company—energy offshore and construction—continued to maintain their progress in their respective areas Among the noteworthy achievements during the year were the successful commissioning of four mobile rigs for drilling 120 developmental wells in the Cambay basin drilling of the country's largest oil producing well on land at Nada in Gujarat and completion of the Off shore Water Injection Project The energy division has received a letter of intent for an additional land rig which is expected to start operations during the current year

The implementation of the first phase of the company s sponge iron project with a capacity of 8 8 lakh tonnes per annum has made good progress All the major plant and machinery have arrived and it is expected that the plant will start production in the first quarter of 1990 ahead of schedule With the sponge iron plant going into production the company s turnover is expected to rise significantly

The company has received a letter of intent for setting up a 100 per cent export oriented steel plant for manufacturing steel

IN THE CAPITAL MARKET

Bindal Agro Chem

BINDAL AGRO CHEM is setting up a Rs 695 crore based fertiliser project at Shahjahanpur UP to produce 1 350 tonnes of ammonia and 2 200 tonnes of urea per day The company expects to commission the project in a record period of 24 months from the cut off date that is October 15 1989 Projects and Development India a government of India undertaking has been engaged as prime consultant for execution of the whole complex Abhey Oswal chairman and managing director expects this complex to generate annual turnover of Rs 3 5 crore At 100 per cent capacity utilisation the project will yield cash profit after tax of over Rs 140 crore Earning per share of Rs 10 will be Rs 10 in the very first year of full operation To meet a part of the project cost the company proposes to issue fully convertible bonds of Rs 500 crore subject to approval by CCI Each bond will be of Rs 200 carrying interest at 12 5 per cent per annum Out of the total issue bonds of Rs 100 crore will be offered to the existing shareholders of the company on rights basis and bonds of Rs 400 crore through a public issue In the public issue shareholders of Oswal Agro Mills and Oswal Agro Furane and holders of convertible bonds of Oswal Agro Mills will be offered bonds on preferential allotment basis The company s employees NRIs and agriculturists will also be offered preferential allotment Indian public will be offered bonds of Rs 111 25 crore According to the proposed conversion terms Rs 50 out of the face value of each bond will be converted into one equity share at a premium of Rs 40 per share on expiry of six months from the date of allotment and balance Rs 150 into 3 equity shares at the same premium on expiry of 18 months In the case of public issue Rs 50 will be converted into one equity share of R 10 each at a premium of Rs 40 per share on expiry of six months and another Rs 50 on the same terms on expiry of 18 months and the balance Rs 100 on expiry of 36 month

G V Films

G V FILMS promoted by G Venkateswaran a successful film producer and distributor is entering the capital market with a public issue of 30 lakh shares of Rs 10 each for cash at par Out of the issue 2 5 lakh shares have been reserved for preferential allotment to the employees of the company This is the first time that a film company has received the consent of the controller of capital issues to make a public issue of shares The proceeds of the issue will be used to finance the company s forthcoming projects Apart from producing and distributing films as its long term objective the company is also exploring the possibilities of entering the communications business establishing ultra modern studios and cinemas setting up high tech video production centres as well as manufacturing cine equipment

coils at an estimated project cost of Rs 1,400 crore. This project will earn foreign exchange of about Rs 2 800 crore and all the inputs required for the project can be imported free of duty. The profits from this project will be totally exempted from income tax.

GSFC

Higher Lendings

GUJARAT STATE FINANCIAL CORPORATION has achieved all the targets in the year 1988-89. It has sanctioned loans worth Rs 143 74 crore which is 63 8 per cent higher than in the previous year. Assistance rendered by the corporation has generated an investment climate of about Rs 326 crore which will create job opportunities for more than 31 000 people in the state. Scheduled caste and scheduled tribe entrepreneurs have been given financial assistance under the soft loan scheme at concessional terms amounting to Rs 591 Lakh. Women entrepreneurs have been sanctioned loans of Rs 244 Lakh. Of the total assistance sanctioned during the year 66 per cent has gone to backward areas of the state. The disbursement of the loans sanctioned during the year stood at Rs 80 84 crore and recovery of loans amounted to Rs 0 89 crore. The net income of the corporation was Rs 35 47 crore. Managing director Balwant Singh announced that the corporation had evolved a novel approach of arranging spot management screening committee meetings where entrepreneurs could discuss their projects.

VOLTAS

Bonus Shares

VOLTAS board has recommended issue of bonus shares in the ratio of one share for every two shares held and sub division of the existing Rs 100 shares into shares of Rs 10 each. The company has turned out good working results for the seven month period ended March of last. According to brief preliminary figures incorporating the operations of Volrho which has been amalgamated with the company effective March 1 1989 sales including consignment sales have amounted to Rs 353 crore against Rs 345 crore of the previous 12 month accounting year and profit before interest depreciation and tax is Rs 17 85 crore against Rs 29 88 crore. Profit after tax is Rs 8 63 crore (Rs 9 78 crore). The board has not proposed any final dividend. The interim dividend of 14 per cent declared earlier worked out to 24 per cent on annualised basis as against 22 per cent for the previous full year. The interim distribution has taken away Rs 1 80 crore out of the profits. Transfer to reserves has amounted to as much as Rs 7 crore. As at the year end reserves stood at Rs 34 84 crore as against the share capital of Rs 13 23 crore. Gross fixed assets were Rs 105 crore and net fixed assets Rs 72 14 crore.

FORM II-A

THE MRTP ACT, 1969

[See Rule 4A (1)]

Form of general notice to be given to the members of the public before making an application to the Central Government under sub Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969

NOTICE

It is hereby notified for the information of the public that INDOFIL CHEMICALS COMPANY A DIVISION OF MODIPON LIMITED Nirlon House Dr Annie Besant Road Worli Bombay 400 025 proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under sub section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the establishment of a new unit Brief particulars of the proposal are as under:

1	Name and address of the applicant	INDOFIL CHEMICALS COMPANY (A Division of Modipon Limited) Nirlon House Dr Annie Besant Road BOMBAY 400 025 Regd Office Hapur Road Modinagar 201 201
2	Capital structure of the applicant organisation	Equity / Preference
	Authorised	90 00 00 000 / 5 00 00 000
	Issued subscribed & paid up	7 83 80 570 / 1 45 49 500
3	Management structure of the applicant organisation indicating the names of the Directors including Managing Whole time Directors and Manager if any	The Company is managed by the Managing Directors under the overall superintendence of the Board of Directors Names of Directors are as under Mr S B Lal – Chairman Mr K N Modi – Director Mr K K Modi – President Managing Director Mr M K Modi – Vice President Managing Director Mr J J Doyle – Director Mr A F Smith – Director Mr C O Metzger – Director Mr J T Subak – Director Mr M L Modi – Director Mr Prabhat Kumar – Director Mr S K Modi – Director
4	Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division	New Unit
5	Location of the new undertaking unit division	It is proposed to locate the new undertaking in the State of Maharashtra preferably in a notified backward district/area
6	Capital structure of the proposed undertaking	The proposal is to be implemented by the existing Company whose capital structure is given in item 2 above
7	In case the proposal relates to the production storage supply distribution marketing or control of any goods articles indicate I Name of goods/articles	II Proposed licensed capacity
	1 Fat Liquors	6000 MT per annum
	2 Leather auxiliaries	3000 MT per annum
	3 Synthetic Tanning Agents	3000 MT per annum
	III Estimated annual turnover	About Rs 40 50 Crores
8	In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc	Not applicable
9	Cost of the project	About Rs 11 32 Crores
10	Scheme of finance indicating the amounts to be raised from each source	Internal resources rupee and foreign currency loans from institutions and debentures/deposits

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

Sd/
(I K GUPTA)
SECRETARY

Dated this Fourteenth day of August 1989

Laying Out of a Rose Garden

Bhabani Sen Gupta

Among the many faults of Rajiv Gandhi's political leadership none is as damaging to himself and to the country as his apparent conviction that he and his party own the Indian state and nation How can one believe that the prime minister is rearing to take democracy to the frontier village when his government and his party cannot live with a CAG who dares to function as he is required to under the Constitution?

LANGUAGE speaks the political man Face to face with the national election prime minister Rajiv Gandhi has found a new language which now speaks him rather than he speaks it On August 7 he treated the Lok Sabha to a fascinating taste of the new language of electoral politics The occasion was the introduction of the urban bodies bill the supplement of the panchayat bill both of which the prime minister determined to pilot himself He did not speak extempore Nor from notes He read a written statement It is known that the speeches of the prime minister are composed with great care by members of his staff He himself goes over different versions drafted by different people The final draft is written under his personal vigil Rajiv Gandhi rehearses the important speeches he delivers

This particular speech was remarkable for several reasons Perhaps the most remarkable about it was a sentence that Rajiv Gandhi spoke with special stress Ir nation he implored should get out of the colonial categorisation of India into separate rural and urban India by a rural urban continuum which threads the furthest rural hamlet to the largest metropolis in a *rudrakshamala* of democracy and devolution'

This single sentence of a very important speech shows up the great toils the prime minister has been making in recent weeks to measure up to the challenge of an election which he has to fight without the great advantage of the assassination of Indira Gandhi He is himself grappling heroically with the task of discarding his urbane upper middle class image and wearing the mask of a villager More than anyone else Raji Gandhi needs an urban rural continuum in his own image He must be seen by the rural mass of Indians as their *bhaiya* He must be able to wriggle out of the intage Rajiv Gandhi image of a technocrat trying to pilot India to the 21st century on the wings of imported technology

Rajiv Gandhi persuaded himself in 1988 that he was on the trail of the mantra that would transform him from an urban technocrat into a villager From Rajiv Gandhi to Raju Gonda All through the year he was in search of grassroots democracy, a flagship on which power could smoothly sail from the power brok to the people through the relatively pla l er of a parliament in which his part l l brute majority In the summer of 198 a tood formidably armed with two cr m pieces of legislation which passed and er p d ntral consent would make periodic l elections to village pan chayats and urban municipalities and corporations co tutionally m andatory Proudly he p l both legislations in the two hou e

If those w o to the script for him had mucked up Ir or and blotted out facts known to m m Ind ms it wasn't the prime mini ers fau H h is never been a student of Indian hi h is he? Did he e r h v an emotional physical problem with British colo m? True his parents and hi r and ff l l one to jail and had been at the fr t out of the freedom struggle But he r e p in plenitude and affluence and enjoyed h no pitality of the British educational to train himself for the career of a in pilot though not of a prime mini r

When did British divide India artificially into rban and rural? They conquered in Ir that was overwhelmingly rural and th l in India that too was overwhelmin l rural If anyone divided India into o urban enclave and a rural universe of poor masses it was Mohandas Karamchand Gandhi not related to Rajiv Gandhi The Mahatma brought the two together in the largest and longest freedom struggle waged anywhere in the colonies and semi colonies without violence One can quote chapter and verse from the Mahatma's speeches and writings to show how the Mahatma tirelessly and persistently tried to narrow the gap between the two Indias and how he said the failure to do this as one of the major un uccesses of his lifelong struggle for the emancipation of the poverty shackled rural humanity

The British did keep India divided against itself They divided it by religion They helped the Muslim League to craft and develop the two nation vision of India and to sell it successfully as a political reality They rooted on the dangerous divide of Hindus into caste Hindus' and scheduled castes

The urban rural divide was a grim reality of underdevelopment The development model that was chosen by Jawaharlal Nehru with the consent of almost the entire elite, and in the tooth of the Mahatma's agony, had a clear bias for the cities with its emphasis on building heavy industry and a national base of science and technology The national leadership discarded the Gandhian developement model woven around molecules of self sufficient self governing villages Land reform was eschewed as poison The Americans rushed to help with mountains of grain shipped under the generous terms of PL 480 until Indira Gandhi discovered that the price was support for Washington's Vietnam war or at least non criticism of Johnson's escalation of the war in the mid and late sixties

It is not being suggested here that the Nehruvian model was wrong It had undoubtedly the right kind of developmental thrusts and these have in forty years given some substantive independence to the Indian economy It would have been more right if rural India was not neglected if land reforms were added to the building of heavy industry if food self sufficiency was aimed at in the fifties rather than at the turn of the eventies The point that is being made is that the urban rural divide that accounts for much of India present discontent is the inevitable result of the development model pursued in India under successive Congress run governments from Jawaharlal Nehru to Rajiv Gandhi

This divide has assumed major political dimension in 1989 Rural India is no longer the political fortress of the ruling Congress party The peasants have emerged as the largest and newest politically organised segment of the population The sweep of the peasant movement extend from Haryana to Maharashtra co erin the political wathe of India where the Congress (I) is most vulnerable The prime minister has therefore been trying a language of politics which will soothe the ears of the villagers and bring them to the once pervasive electoral hold of his party

A fascinating word of that language is *rudrakshamala* It has a delicious soft tone and a homespun tinde tone It symbolises the holy and the pure It stands for simplicity the dignity of the humble It symbolises moral power derived from a divine source It stands for peace and harmony Whoever among the prime minister's speech writers picked up the word deserves a pat on the back One can imagine how amused Rajiv Gandhi was to have the word at the tip of his fingers and how delighted he was to think of its potential power to influence the mind of the villager Here was the prime minister of the country about to link the largest megapolis to the humblest frontier village with the holy harmonising peaceful thread of the *rudrakshamala* He who wields the *rudrakshamala* must be and is above corruption and selfishness He is the epitome of humility

But did the emotive word reach the people in the humblest hamlets and the most arrogant metropolis? Delivered on the floor of the Lok Sabha the statement could not be telecast live or even in a recorded programme. Carried in Hindi newscasts it did not particularly hit its target ears. The peasants who gathered on the bank of the Ganga Canal near Muzaffarnagar under the leadership of Mahendra Singh Tikait were not impressed. Tikait himself did not think much of the two legislations on the floor of parliament that the prime minister promised would revolutionise Indian politics. The *Times of India* in a nationwide survey came up with the hilly surmise that the panchayat raj act would not enable the Congress(I) hierarchy to sail through the electoral ocean that is rural India. The ocean is too vast and too different. The flagship means little to the villager. Despite its heavy cargo of words and promises.

That does not mean that the legislations are not important. They are. They provide India with a democratic infrastructure, the lack of which is the single biggest weakness of our democratic system. The panchayati raj created in the 1950s perpetuated the feudal *status quo* giving the kulaks the swaraj of rural India. Even the partyless elections were not held by Congress governments for 10-18 years. It was the same story with municipalities. Of the 400 odd municipal corporations in the country, more than 60 per cent are superseded, and most of them are in the Congress(I) ruled states. If any group of power brokers have stubbornly refused to transfer power and resource to the local bodies, and done everything necessary to perpetuate the rural *status quo* it is the ruling Congress(I) party.

Is this recorded history or is it that Rajiv Gandhi lost his temper when a statement in the Lok Sabha deliberately ignored. He pretended that the opposition parties stood by secure entrenched power, and the people that they were opposed to the creation of democratic self-governing bodies in the villages and towns. That too was a deliberate falsification of recorded contemporary history. The example of four opposition run states building effective, though different networks of panchayats persuaded the prime minister that he too must proceed in that direction if he were to get the support of rural voters. For understandable political reasons he had to trivialise the panchayat or other administration systems introduced in West Bengal, Tripura, Karnataka and Andhra Pradesh. But he could not have remained indifferent to the fact that these states were the strongholds of opposition parties which, except for Tripura, his party could not snatch away through the electoral process.

The concept of building a constitutionally provided democratic infrastructure in the country has been in the air for several years. In the minds of persons genuinely and honestly concerned with the health and vigour of Indian democracy, this is organically linked with an overall democratic restructuring of the political process with significant transfer of power and resource from imperial Delhi to the states and then to the local bodies. The pressure for decentralisation grew enormously when the Congress(I) lost Andhra Pradesh and Karnataka in 1983. Indira Gandhi promptly appointed the Sarkaria Commission to review the amount of centre-state relationships, even though she took her own time to issue the commission's terms of reference. At a seminar in Bangalore in 1984 much conceptual and operational work was accomplished to give decentralisation a constitutional frame. The Centre for Policy Research of New Delhi worked as the think tank. The political initiative came from Ramakrishna Hegde, then chief minister of Karnataka.

In June 1986 a group of scholars drawn from CPR and other bodies met with the prime minister for a broad exchange of views on domestic and neighbourhood issues. The political presentation underlined the urgency of creating a network of elected bodies in the villages and urban areas. It was agreed that there must be a constitutional mandate for holding elections to local self-governing bodies every five years and that the resources to be transferred to these local self-governing bodies should also be identified in the Constitution. In the absence of an infrastructure of democratic self-government, the states were freely popular pressures far in excess of their capacities to endure them, while a great many local issues were being transported to the heart of Delhi to confront the national government. Furthermore, only a network of self-governing bodies at the local level could provide India with a live school for the training of political leaders and administrators tuned to the needs and fears of the common people.

It was not before 1987 that Rajiv Gandhi woke up to the idea. He realised, after the late elections of that year, that panchayat power alone could make the Congress(I) hold in the country side strong and durable. He worked through 1988 on the concept but somewhere during the process he was seduced by the idea that the central government in Delhi must keep as much of the third tier under control through the obliging instrumentalities of governors and collectors. To the best in knowledge of this analyst, the idea was sold to him by a pack of IAS and IFS officers as the only way to hold India together under the guardianship of imperial Delhi.

The legislations will be on the statute book if they pass the Rajya Sabha. However, Rajiv Gandhi will find it far from easy to actually build the third tier provided in the bills. If he is returned to power at the centre, Congress(I) chief ministers will take their time to implement the scheme, while the opposition run state governments will do everything within their power to stall and change the legislations to their liking. It will not be surprising if Rajiv Gandhi's own government loses a great deal of enthusiasm for the power to the people scheme once it were returned to power.

The rural masses have enough intimate knowledge of the Congress Party to expect of it any real transfer of power to their own hands. They will test the will and intentions of the ruling party before allowing their imagination to fly. The power to the people slogan will not have a fraction of the impact the *garibi hatao* slogan had on the poor masses in 1969. Having seen the fate of that slogan, the village voters will refuse to dance to the pop music of power to the people.

The whole thing could have been accomplished with much greater effectiveness if the prime minister did not find himself desperately hustled by the need of an emotive electioneering slogan. He could have engaged the nation in a long comprehensive debate in order to churn out a consensus. He did indeed engage in marathon discussions with different groups of people. But the whole thing was an attempt to claim his personal authorship and ownership of the third tier. Rajiv Gandhi's charge that the opposition chief ministers, with only two exceptions, kept out of discussions is only formally true: they kept out because he would not take them as true partners of a

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grand design to give Indian democracy a third popular dimension

Among the numerous faults of Rajiv Gandhi's political leadership nothing is as damaging to himself and to India as his apparent conviction that he and his party own the Indian state and nation That s wh his men in parliament can hurl the worst possible invectives at opposition members That is why his political style has had the effect of undermining India s democratic institutions There is unfortunately a crisis of confidence How can one readily believe that the prime minister is rearing to take democracy to the frontier village when his government and his party cannot live with a CAG who dares to function as he is required to under the Constitution?

In a rare moment of candour so much unlike Rajiv Gandhi after 1986 but so much like Rajiv Gandhi of 1985 the prime minister told a gathering of ad men in New Delhi on August 10 how his efforts to change the system came to nought When I tried to change the system to push it to deliver I came up against vested interests which just would not let go Every time I thought I had identified the solution I could not convince those at higher level whether in politics or in the administration

Elaborating on his failure Rajiv Gandhi continued We worked at opening up the economy to involve more people in the development process At every step, we found that there was somebody telling us that this was all wrong and shouldn't be done and he had enough friends in the system to block it even if it went through the cabinet and the parliament At the real life level it didn t work because people were not interested in allowing things to change

These pathetic words reminded this writer of what one of the closest advisors to the prime minister told him in 1987 'The point is that we cannot get anything done through this machinery Orders issued from PMO get lost 250 yards from this place'

Did Rajiv Gandhi expect the system respond to his innovative initiatives without resistance? Did he take the people into confidence with his initiatives? Did he like Gorbachev try to enlist the support of the people against the system to change the system with the help of the people? Or did he withdraw into his cocoon and reverse to the beaten track of power manipulation and secrecy? What makes him hope that the system will work out his People s Raj project without resistance?

The pathos of pathos he turned to advertising men to take the image of his reforms to the people Ad men to package Power to the People for sale at election time! To package the language of politics so that the language can speak Rajiv Gandhi sweetly and convincingly to the people

Calcutta Diary

AM

Article 368 of the Constitution is an open-ended invitation to a genuinely cynical government, such as the present one, to push through amendments which snuff out democratic functioning Some of the latest political occurrences provide ominous pointers

A NATIONAL constitution which permits itself to be mauled on sixty five different occasions in the course of less than thirty nine years must be *ipso facto* bad The procedure for passing amendments, as laid down in Article 368 of our Constitution is extraordinarily lax The urge to amend this or that article, which for some reason inconveniences the authorities is therefore difficult to resist With elections decided according to the first past the post principle for a particular party to run up a two-thirds majority in the Lok Sabha is not that difficult It may obtain such a majority even when barely one third of the votes are cast in its favour The problem is trickier in the case of the Rajya Sabha But there is that provision of nominating eminent citizens as members The ruling party has, in recent years unabashedly chosen quite a few of its servitors to seat in the august second chamber eminence, after all depends on how you define it Once the two thirds majority has thus been contrived in both houses the government is in a position to pass constitutional amendments almost at will It is on only a few specific matters that the amendments also need ratification by one-half of the state legislatures That is not much of a hurdle provided the two thirds majority in parliament has been successfully arranged for Since such balmy days might not last for ever the regime could then be tempted to rush with a long list of amendments The present regime has been so tempted

But there is never a shortage of doubting Thomases A two thirds majority in parliament or no it is not that easy for a government it will be argued to amend the Constitution in such a manner as would qualitatively transform the polity Has not the Supreme Court for one, refused to go along with any change in the Constitution s basic structure? Which of the proposed changes constitutes or does not constitute a mutilation of the 'basic structure' is however also a matter for the Supreme Court ultimately to decide upon By appointing judges who hold certain specific beliefs the regime can always hope to 'manage the decisions of the court Franklin Delano Roosevelt showed how this can be done if not with finesse, at least with a certain panache We live in a non genteel milieu Most things are here done with a degree of crudity, the packing of courts too has assumed a more direct form It is the outcome that counts It will be altogether naive to assume that the judiciary as constituted at present will stand in the way of constitutional amendments however outrageous their nature The judges are by now accustomed to play the role of the complaisant husband, the government with its unending package of amendments has succeeded in rendering the Constitution into a document which need no longer be taken seriously

What is done counsel the wise men, can also be undone Well not quite True, the Thirty ninth and the Forty second Amendments rushed through in 1975 and 1976 respectively were followed close on their heels by the Forty third and the Forty fourth, most of the infamous clauses Indira Gandhi had inserted were taken out Still, inertia is inertia a few of the clauses remained, and at the end of that period of turmoil the Indian Constitution became much more of ficious in its general bearing than it was earlier

Article 368 in any event is an open-ended invitation its use for non zero sum pastime is patently unlikely Once a genuinely cynical government such as the current one comes along sooner or later it is bound to push through amendments which snuff out democratic functioning altogether Consider for example some of the latest political occurrences Spirits are running low in ruling party circles because of the report of the Comptroller and Auditor General on the Bofors transactions and all that has happened in the aftermath Suddenly the party's electoral prospects appear to be rather dicey But never say die exciting ideas are again afloat Surely there must be some stratagem whereby the elections could be postponed at least for some months and yet it would look as if the constitutional proprieties have not been breached Never mind the withdrawal of the opposition could not the present Lok Sabha itself meet for a brief session in the early part of January and pass a vote on account for the first few months of 1990 91? True it would immediately cease to be So what since according to the Constitution six months can intervene between sessions of the Lok Sabha once the vote on accounts is passed the date of the Lok Sabha poll could be pushed back to somewhere as late as next June meanwhile hopefully the electorate might be persuaded to forget the catty comments appended by that abominable creature the CAG Were a manoeuvre of this nature to be ruled out for whatever reason, since crisis time is crisis time even more impatient suggestions could emerge from the wings These could well include proposals of a breathtaking genre involving drastic amendments of the Constitution The life of the Lok Sabha might be proposed to be extended from five to ten years Or fasten your seat belt notwithstanding the other provisions of the Constitution this being Jawaharlal Nehru s centenary year an amendment could be introduced under Article 368 to the effect that no descendant of Nehru, once appointed as prime minister be removed from that office until his death or unless he voluntarily abdicates Did you say this is bizarre and full of flummery and could never happen? The Thirty ninth

Amendment of the Constitution, passed with much eclat in September 1975, was however hardly any less bizarre, it forbade the standard legal processes which applied in the case of others for challenging the election to the Lok Sabha of the incumbent prime minister and the incumbent speaker. With sitting proclivities have developed further in the course of the past dozen years it need not any longer be considered as absurd that the Constitution should spell it out explicitly that this fief Indira owes its existence and survival exclusively to the Nehrus the latter household must therefore have a permanent niche in the governance of this nation. Since the Lok Sabha has been rid of the opposition and with some fudging it might be possible to contrive a two-third majority in the Rajya Sabha an amendment of this nature might pass without much effort. It might not do too much damage to our reputation as the world's largest democracy either for democracy — how Foggy Bottom and *Wall Street Journal* define it. We have besides done over the past few years so much damage to that reputation that this extra bit could even pass almost unnoticed.

But forget this depressing what they call cynic. Suppose elections to the Lok Sabha did actually take place according to schedule. It is likely to be a no holds barred poll with thousands of crores of rupees invested to ensure victory. Killings as much as booth capturing can be expected to take place on a large scale. Consider however one situation that could emerge at the end of the gory exercise. The ruling party is beaten comprehensively in the south. Fares equally badly in the east loses in both Haryana and Delhi its success in Maharashtra is neutralised by its reverses in Gujarat. The Hindi heartland however once more delivers so that the regime just squeaks through with a bare majority. Or it does not even manage to do that. But since a Lakhan or a speaker can always interpret the Anti Defection Law to suit the ruling party's interest a number of those elected on the ticket of the opposition parties are bought over so that the ruling party remains in power. A demoralised opposition then crumbles and we are back to square one. The technology of the twenty first century continues to be deployed to propagate the glory of medieval authoritarianism even without a constitutional amendment the Nehrus stay for ever or so it would seem.

In terms of this scenario, the ruling party might obtain barely one third of the total votes cast in the country it might lose in as many as two thirds of the states, it would still form the government at the centre. That is to say as long as one or two key states continue to turn their face against the forces of progress and enlightenment, the rest of the country would have to go along. In the United Nations Security Council a handful of major powers can exercise the veto whenever they dislike a particular move or resolution. A couple of states could begin to exercise a similar veto on the Indian destiny. Because these states would not move forward, the rest of the nation must also stay stuck in the milieu of the Middle Ages. Because these states would be held in thraldom by a particular dynasty, the rest of the nation must continue to put up with some of the most offensive rituals of sycophancy and obeisance. And rest assured in these circumstances the persons likely to come up as the government's principal decision makers would continue to be bigoted narrow minded and devoid of imagination. Having just pulled off a what at one time looked to be patently impossible electoral victory they would also be haughty to the core. Such individuals are in all seasons incapable of seeing beyond their noses. To try to put it across to them that democracy is an emotional concord and that a formal majority in parliament might not mean much unless one also took into account the morphology of the majority might be totally futile.

It could then be a Tripura like situation but on a magnified national scale. In that eastern state the Left Front obtained a clear majority of the popular votes in the last assembly elections but failed to win or was denied a majority of the seats in the assembly. Tripura is a puny little piece of real estate hardly the size of a regular district. Should what was made to happen to her be repeated on a national scale the reaction is however unlikely to be docile. Many unsavoury things might then occur. Questions might be raised nagging sullen impatient questions such that why must the people in the south or Bengal or Assam or Punjab or Haryana agree to proceed in a particular direction even when they knew in their heart of hearts that that could do them no good merely because a couple of other states think that direction to be lovely? Why must they go along with the Indian army's misadventures in Sri Lanka when they realised in their heart of hearts that nothing could be a greater evil? Why must they put up, day after day with the idiocy and insolence of Doordarshan and All India Radio? Why must they concur with the policy of officially organised orgy of murder and mayhem in Punjab and the consequent brutalisation of the Sikh youth? Or with the planned extermination of the landless in the northern and central states? Or with the sale of the national economy lock stock and barrel to dishonest industrialists fly by night operators foreign banks and transnational corporations? In other words the social contract that is the Indian nation would be in danger of breaking down.

Even were one an atheist one would be sorely tempted at this juncture to pray to pray that good sense dawns upon those who are the ultimate purveyors of decisions within the portals of the ruling party so that the Lok Sabha poll is allowed to be held on schedule. The atheist might also be equally tempted to pray that the party which has ruled over this nation almost uninterruptedly over the past forty years receives a comprehensive drubbing in that poll for as things now stand only such a denouement could still save the polity.

But then an atheist is not normally given to praying dark tough days lie ahead for the nation. Unless of course certain developments take place irrespective of the presence or absence of prayers because the masses in a sudden nation wide surge decide that enough was enough the crooks had a sufficiently long innings this country now deserved better. That is the people might choose to give themselves a break and side with what sniggers notwithstanding qualities to be described as the historical process.

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NEW DELHI

Liberalisation Road to Economic Ruination

B M

Expert opinion on the state of the economy and the government's economic policies is increasingly tending to converge and economists of different political and ideological persuasions now acknowledge the crisis situation building up on many fronts

THE Indian economy is facing a serious crisis This warning was sounded by some 40 distinguished economists at a meeting sponsored by the *Social Scientist* in New Delhi on August 7 and 8 Their opinion was of course, in sharp contrast to the euphoria that the leaders of the government and official spokesmen and publicists have been trying hard to create about the state of the Indian economy and the progress that is claimed to have been made as a result of official policy and management under the leadership of the prime minister The official side may indeed like to argue also in order to blunt if they can the impact that the criticism by the experts may make on public opinion that the economists who met in New Delhi were by and large of leftist persuasion and were not friendly to the present government and its leadership This would not however be a wholly correct view of the New Delhi meeting of economists

There were indeed significant divergences in their views and assessments of the state of the economy the social forces at play in the economy society and polity and the pressures and tensions that have to be reckoned with There were some, for instance, who felt that it would be wrong not to take into account the new demands and sentiments of the middle classes in India who no longer are swayed by such patriotic slogans as buy Indian' regardless of quality They felt that the television culture had indeed taken hold of large numbers in the country and this fact, disquieting though it may be cannot simply be wished away Then there were others prominent among them L C Jain, who has just received the Magsaysay award for public service taking seemingly a strong Gandhian stand (but actually inspired by the Mahalanobis model) on protection of handicrafts and village industries from the official policy of promoting indiscriminately and recklessly capital intensive industries and production structures

There were indeed many shades of opinions which were articulated by the economists in their meeting in New Delhi But they were all agreed that the economy was not in good health and that the economic policy and management of the government was misconceived and harmful to the development of the economy in keeping with the needs of the mass of the people They issued at the end of their meeting an agreed statement sharply critical of the government refuting the claims of progress pinpointing the weaknesses and distortions that the economy is suffering from and offering an alternative set of policies beginning with restoration of faith in planning purposeful interventionism and public investment policies aimed at immediately reversing the present trends In the short term the statement emphasised import restrictions are a must to prevent further burgeoning of external and internal debt which has already touched unmanageable proportions' Further till such time as demand can be managed in keeping with the potential of the economy the splurge in consumption by a few at the expense of the majority must be curbed'

The government and its publicists and propagandists will only be fooling themselves if they dismiss as is their tendency the sane and sound advice of such a large group of economists on the ground that they are not friendly to the government and do not occupy advisory positions in the present government set up The fact to be reckoned with by the government as much as by the people is that expert views about the state of the economy and the government's economic policies and management are tending now to converge

This was demonstrated forcefully at a seminar at Jaipur on August 3 and 4 organised by the Jaipur Institute of Developments Studies on the external debt problem The participants in the seminar were indeed a variegated lot, some of them holding official positions and some with even strong political sympathies for the ruling establishment But they were no less distinguished as economists as those who met at New Delhi The seminar was inaugurated by Sukhamoy Chakravarty former member of the Planning Commission and at present chairman of the prime minister's economic advisory council The keynote paper which held centre stage at the deliberations was presented by Ajit Mazoomdar a former secretary, planning and expenditure in the union government

What was remarkable about the discussions in the seminar was that starting with a meticulous exercise in determining the exact quantum of India's foreign debt and its composition they extended to criticism of the liberalised economic policy of the government The criticism was as trenchant and wide ranging as that voiced by the later meeting of economists in New Delhi who declared that the future of this country is being mortgaged and its economic sovereignty threatened The position of Ajit Mazoomdar which won near unanimous support at the Jaipur seminar was equally forthright in calling for a reversal of the present official policies In his view 'if investment priorities and macro economic (including fiscal) policies remain as in the last five years the outcome will be a continuing increase in the current account deficit, accelerated foreign borrowing and a rise in the debt service ratio well over 30 per cent" He added with his characteristic penchant for understatement that 'more than a new plan document will be required to reverse these trends Sukhamoy Chakravarty while declaring that there can be no general theory of borrowing had cautioned that the growth rate of foreign debt should be lower than the growth rate of the economy He also drew attention to the rise of consumerism in society and of energy intensity in production Most significant was his warning that the drive for exports at all costs was no panacea either

Participants in the Jaipur seminar were all agreed that the position in regard to external indebtedness was already alarming The lone dissenter was an advisor of the Planning Commission who argued that the present level of foreign debt was of grave concern but not alarming This feeble dissent was obviously inspired by his reluctance to admit that given the present official policies and the government's failure to mobilise domestic resources playing around with a high growth target for the Eighth Plan would be dangerous and would amount to an exercise in recklessness and deception on the part of the planners as much as the government It became obvious at Jaipur that the proposed 6 per cent growth target for the Eighth Plan within the present economic policy regime would gravely enhance the dependence of the Indian economy on foreign crutches with the inflow of foreign capital rising to more than 2 6 per cent of the GDP in contrast to 1 8 per cent of GDP at present This is in contrast to the facile assumption of the planners that the foreign capital inflow can be scaled down to 1 6 per cent of GDP in the Eighth Plan Given the persistence of the government with its present socio economic policies and the projection of a 6 per cent and even higher growth target for the Eighth Plan the country will surely be pushed into a foreign debt trap and will lose its economic and eventually its

political, sovereignty All healthy social forces and political formations have thus to be on guard and halt the drift to disaster which is under way under the present government

It is indeed significant that what weighed most with the economists in both New Delhi and Jaipur is the danger before the country of getting caught in the foreign debt trap with all its grave consequences economic social and political It is for the first time in recent years that economists with different social and political approaches and affiliations have raised their voice powerfully against the so called liberalised economic policy and squarely blamed it for bringing the economy to the brink of disaster Nobody takes the official figure of Rs 68 000 crore trotted out by the government in parliament as the true size of the country s foreign debt At the Jaipur seminar careful calculations with the aid of RBI data showed that the foreign debt stood at over $60 billion without taking into account debt incurred for defence imports and NRI deposits The repayment liability on foreign debt already stands at about 30 per cent of India [illegible] for [illegible] exchange earnings and [illegible] further next year No less [illegible] for economists of all shades [illegible] that side by side with the rise in [illegible] debt there has been a relentless in[illegible] during the eighties in the internal debt [illegible] of the failure of the government to [illegible] and control its expen[illegible] The [illegible] is that [illegible] prospect of growth of the economy as well as social equity stands blighted The economists meeting in New Delhi rightly emphasised that official policy seeking to provide greater economic space for the private sector and foreign capital had sharply eroded the role of the planning process and the problems of unemployment poverty low rates of growth and external vulnerability had been aggravated

It is however remarkable that Rajiv Gandhi at the head of the present government even as he has been engaged in recent months with an eye on the coming general elections with a great deal of populist gimmickry on a variety of issues has not faltered in his commitment to the economic liberalisation policy and to an open economy He has indeed been steadfast on these scores in spite of the deteriorating payments position and the rising external and internal debt The acceleration of the rate of industrial growth is advanced by him and his publicists as the justification for the liberalisation policy comprising the removal of what are called unnecessary and unproductive regulatory controls liberalised imports and wider opportunities for foreign investment But economists have sounded the warning that while the acceleration of the rate of growth of new industries from a very low base which finds a significant reflection in the new index of industrial production may generate some euphoria about industrial growth in the short run it does not amount to an upswing in the rate of industrial growth which can be sustained The growth in the industrial sector has tended to be better in the case of industries engaged in the production of items of elitist interest even as production of development inputs and essential goods of mass consumption has suffered big shortfalls The new production capacities which have been set up have a very high import content The idea that screw driver technology and a production structure based on heavy imports would enlarge and modernise some segments of industry and bring about a spurt in the growth of industrial production as a whole was misconceived to begin with and has been found to be unworkable in practice If official spokesmen and some business circles like to gloat over the growth of the automobile industry especially the sector catering to demand for private transport as a pace setter for industrial growth and reliance is placed on the so called sunrise industries such as entertainment electronics for boosting industrial growth the fact has to be faced that industries producing essential consumption goods such as basic drugs and relatively cheap cloth and those producing development inputs such as steel and capital goods have remained stagnant In the case of capital goods which provide essential inputs for self reliant and self sustaining industrial growth there has been a sharp slump The prospects of industrial growth in the coming years can hardly be considered bright in the wake of these developments

What has really happened under the liberalisation regime is that indigenous capacity and capability in the public and private sectors for undertaking the essential tasks of development of the economy have been emasculated The ground is being prepared for handing over industrial and infrastructural development to foreign interests which will necessarily rely for social and political support on the already powerful compradore political and business interests in India for operating in the Indian market This is what further liberalisation and a more open economy would add up to The implications economic social and political of these policy trends are indeed ominous

The working of the Indian economy in response to official policy is brought out by the economists of different shades of opinion has an important bearing on the run up to the general elections The economists meeting in New Delhi emphasised as of the utmost importance the accountability and integrity of the government They declared that we are at present told too little by the government about economic realities and very important decisions with major implications for the nation s future are reached blandestinely This must stop Another issue of great importance that they forcefully raised was that of greater degree of decentralisation of economic decision making with an appropriate devolution of financial powers from the centre to the states and further to local bodies so as to further the process of development based on local resources and needs They also emphasised the importance of land reforms accompanied by co operativisation and a guaranteed minimum wage for a viable and vibrant agriculture

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EDUCATION

Teaching Teachers a Lesson?

J V Deshpande

The Maharashtra government is clearly in the mood for a confrontation with college and university teachers Unfortunately, the leadership of the teachers' movement in the state, trapped in the debris of recent ill-considered agitations, appears unlikely to be able to rise to the challenge

THE start of the new academic year in Maharashtra in June has brought no cheer to the college and university teachers in the state After two long drawn and bitter strikes in the past two years it looked in March April that the pay and perk problems of the teachers which have occupied so much of their energies for the past decade will finally be settled at least for some time to come so that the teachers and their leadership can turn their attention to the pressing educational problems on the campuses But this has not happened

College teachers in Maharashtra had joined the strike called by the all India college teachers bodys in 1987 It was only after a long strike that the governments agreed to implement the new salary grades for college and university teachers A year later, late in 988 when there was no further action on the issue by the state government in Maharashtra teachers in the state had to resort to another indefinite strike This was withdrawn only after extracting a firm commitment from the government that the relevant notification would be issued by the end of February 1989 However teachers had to pay a price for this They had to accept a marginally heavier workload but more significantly, they also had to give up the protection on this point that they earlier had, in the form of an agreement signed in the high court in the seventies

It was expected that after the government notification the new grades would be forthcoming within a few weeks Much to the surprise of the college teachers, this has not happened Six months after the notification, teachers are still waiting for the government and the university authorities to complete the 'administrative details' Even now it is not clear whether the teachers will start getting the new pay packet in the next three months

Even more surprising is the recent government decision to put—"for the time being"—every lecturer in the lowest of the three new grades open to them As per the original decision, a college teacher could also get the senior or the selection grade in the new scales, depending upon his experience and qualifidations Now the teachers will be left to argue out their cases for the superior grades individually at a later date This is being done ostensibly to expedite the implementation of the new grades It is worthwhile to remember that no other state has found the administrative details of the transition to new grades as difficult and time-consuming as Maharashtra

This has come as a bitter blow to rank and file college teachers in Maharashtra What is more apart from the non payment of the new grades to the degree college teachers several other steps clearly indicate that the state government, if not out to break the morale and the unity of the college teachers, is certainly bent upon driving a hard bargain with them

In 1987 teachers in the degree and junior colleges had joined hands and gone on strike together—the former for the new grades and the latter for parity of pay with the degree college teachers In fact, the strike was continued in Maharashtra for about three weeks more, after the settlement was reached at all India level regarding the new scales of degree college teachers in support of the demands of the junior college teachers it had finally to be withdrawn without any satisfaction on the major demand of the junior college teachers

The leadership of the college teachers' unions adopted a different mode of agitation in 1988 Even though, nominally, the teachers in both degree and junior colleges are part of the same union in Maharashtra especially in Bombay, the strike action was launched only by teachers in the degree colleges and by a section of university teachers At about the same time, the same leadership launched a separate agitation of teachers from the junior colleges, calling upon them to boycott the examination work connected with the two major state-wide examinations —the SSC and HSC Board's final examinations This was for the separate charter of demands of the junior college teachers

The response to the call for boycott was fair only in Bombay city, with the result that the HSC results from the entire state and the SSC results from all divisions except the Bombay division were declared more or less on time. Taken as a whole, not only was the call for the examinations boycott a failure but the teachers involved in it had other unpleasant surprises in store for them when they reassembled for the new academic year in June.

In Bombay, the teachers in junior colleges who had boycotted the examination work were not allowed to resume work Although this order was withdrawn by the government after a few days, several thousand teachers in junior colleges have been refused salary for the vacation period on the ground that they had refused to help in the examination work To add insult to injury, the government has arbitrarily reduced the number of days of leave available to a junior college teacher from 15 per year to 12 It is also likely that the student strength in many classes will increase from the already high figure of 80 to 120

The inordinate delay by the state government in putting into effect the new pay-scales for degree college teachers and its deliberately provocative attitude towards the teachers of junior colleges should ordinarily have galvanised any active leadership into immediate protest action That this has not happened is a sorry comment on the disarray that the teachers' movement finds itself in Maharashtra The fact that the union is inactive even when a few thousands of its members are denied salary for two months or more shows the extent to which disillusionment has set in among the college teachers about the efficacy of their united actions in the past Even a 'morcha' planned late in July had to be called off for want of support Only recently the government of Maharashtra has relented on the issue of vacation salaries but not on account of any exertions on the part of the established leadership of the college teachers

Several reasons can be cited for this sorry state of affairs For over a decade now the college teachers' organisations in Maharashtra have been concentrating almost exclusively on the 'pay and perks' problems of their membership, totally neglecting the problems of basic educational reform The same decade has also seen a precipitate decline in not only educational standards but even in the routine functioning of universities and colleges The problems of teachers have ceased to be of much relevance to the rest of the community In the recent strike and the boycott of examinations, the public was very clearly resentful of the teachers' actions No agitation against the government can succeed without public sympathy, if not active support

It has been argued in the past that in

the long run a meaningful united front of the teachers at all the stages of education can sustained only when such a front concerns itself with basic educational problems common at all levels The events of the past two years have amply borne this out and now we see a union, ostensibly representing the teachers of both junior and degree colleges, reduced to launching two separate agitations for the two sections, for separate sets of demands One may well wonder what is the purpose of having one union for both except perhaps to provide a solid vote block for the leadership It is noteworthy that when so many of the junior college teachers are facing a difficult financial situation, not even a relief fund has been started in degree colleges by the leadership So much for fraternal camaraderie!

Apart from the total commitment to economism on the part of the leadership there are other factors also which repel many persons normally sympathetic to the teachers movement One of these is undoubtedly the mindless militancy of the present leadership group It is now clear that the continuation of the strike in Maharashtra in 1987 when a settlement had been agreed to at the all India level (by the same set of leaders) was nothing less than a blunder It achieved nothing more and created sharp divisions in the fraternity of teachers The same blunder was repeated at the state level in 1989 by the Bombay group which insisted on continuing the boycott of examinations in the city even when the other units in Maharashtra had withdrawn it Once again without achieving anything it created further serious dissensions thus weakening the movement further The result is that today when action is needed most the generals find themselves without an army

With the state government clearly in a mood for a confrontation, it is all the more necessary for the teachers to close their ranks and work patiently and unitedly for solving the larger problems of education, which *inter alia*, will also solve the problems of teachers in Maharashtra This would require a great deal of patient work on part of the leadership to explain to the members the role of a responsible trade union movement in society not only for the economic betterment of the members but also for social upliftment The present leadership trapped as it is in its past firebrand rhetoric, is not expected to rise to the task On the other hand, the way the affairs of trade unions are generally manipulated it is also not expected that a new leadership with a broader vision will be able to emerge without a bitter struggle. All in all, the college teachers' movement in Maharashtra may be expected to remain in the doldrums for quite some time

HINDUSTAN CIBA–GEIGY LIMITED

Regd Office Royal Insurance Building, 14, J Tata Road Bombay 400 020

NOTICE

It is hereby notified for the information of the public that **HINDUSTAN CIBA GEIGY LIMITED** proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under sub section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the establishment of a new undertaking/unit/division Brief particulars of the proposal are as under

1 **Name and address of the applicant**
HINDUSTAN CIBA GEIGY LIMITED
14 J Tata Road
Bombay 400 020

2 **Capital structure of the applicant organisation**
Equity capital as on 31 3 1989
Authorised capital Rs 22 57 73 300/
Subscribed Paid up capital Rs 17 70 77 500/

3 **Management structure of the applicant organisation indicating the names of the directors including the managing/whole time directors and manager if any**

(i)	Mr Minoo Noshir Karani	Chairman
(ii)	Dr Jacques Pierre Barman	Director
(iii)	Mr Madhav Laxman Apte	Director
(iv)	Mr Homi Kaikhushru Bilpodiwala	Director
(v)	Mr Jamshed Feroze Boga	Director
(vi)	Mr Richard C Hartland	Managing Director
(vii)	Mr Faizulla A A Jasdanwalla	Director
(viii)	Mr Tahilramaney Pooran	Director
(ix)	Mr Homi Phiroze Ranina	Director
(x)	Dr Andreas Hugo Zuercher	Director
(xi)	Mr Nauer Kaikhushroo Kanga	Director
(xii)	Mr M Ramakrishnaiya	Director

4 **Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division**
The proposal envisages establishment of a new unit for the manufacture of Antioxidants in the Company's existing undertaking at Santa Monica Goa

5 **Location of the new undertaking/unit/division**
Santa Monica Corlim Ilhas Goa (Goa Daman & Diu)

6 **Capital structure of the proposed undertaking**
Same as given under item 2 above

7 **In case the proposal relates to the production storage supply, distribution marketing or control of any goods/articles indicate**
(i) **Names of goods/articles**
Antioxidants for Plastics Synthetic elastomers and fibres Oil and petroleum products
(ii) **Proposed licensed capacity**
600 tonnes per annum
(iii) **Estimated annual turnover**
Rs 1520 lakhs

8 **In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value, income, turnover etc**
Not Applicable

9 **Cost of the project**
Rs 540 lakhs

10 **Scheme of finance indicating the amounts to be raised from each source**
Will be financed from the retained earnings of the Company

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan, New Delhi within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest thereon

Sd/
M R Lal
Secretary

Dated this Eighth day of August 1989 **HINDUSTAN CIBA-GEIGY LIMITED**

The State and Development Planning in India

As Indian planning approaches the end of its fourth decade, a sufficient time span now exists to allow an adequate consideration of its functioning and achievements over the longer term in relation to both the domestic and the foreign sectors. Within this perspective a recent conference organised by the School of Oriental and African Studies, London, explored the strengths and weaknesses of the planning process and experience in India. A report.

THE conference on "The State and Development Planning in India" organised by the School of Oriental and African Studies, University of London, from April 21 to 24 was not a part of Nehru's centenary celebrations but could easily have been the best tribute to the man. In exploring the strengths and weaknesses of the planning process and experience in India it underscored the uniqueness of that experience and offered critical and balanced perspectives on it. As Terry Byres, conference convenor and chairperson, explained in his invitation to participants at the conference: "As Indian planning approaches the end of its fourth decade of operation, a sufficient time span now exists to allow an adequate consideration of its functioning and achievements over the longer term in relation to both domestic and foreign sectors. Byres posed a set of questions offering a framework to time to the scope of the conference: "Are the approved methods of resource allocation, in relation to both the internal and external sphere, efficient? Is some form of dirigisme inevitable? Are these to the extent they exist the inevitable consequence of planning? Are they to be understood in terms of other factors? Has planning generated a set of relations which have been harmfully inward looking? Would a more full blooded disposal of market oriented policies have achieved greater success? Has planning satisfactorily confronted the agrarian question? Has it produced a sound industrial base? Has it successfully mediated the town-country relationship? How has it impinged upon India's changing class structure in town and country? Has planning secured the kind of structural change associated with successful economic transformation? Has the development of capitalism proceeded on a secure basis? Is the observed persistent poverty that which inexorably accompanies early capitalist development? Or could it have been markedly reduced with more effective planning? How has the planning process proceeded and developed in India? And with what result in terms of the mechanics of planning? What have been the major features of the institutional evolution of the Planning Commission? And what the determinants of that evolution? Is the nature of the Indian state such as to facilitate or impede successful development planning?"

Unfortunately, though understandably, the papers presented at the conference did not answer all the questions. Nevertheless they offer a comprehensive and fairly balanced critique of Indian planning.

I
Historical Context

The historical context for planning in India came up for brief enquiry in at least two papers, those of Meghnad Desai and Utsa Patnaik (see appendix for full list of papers). Both located the role given to the state in development planning in the context of late industrialisation in a post colonial economy confronted with the legacy of deindustrialisation and drain of surplus. Desai argued that the pre independence analysis of the roots of India's underdevelopment was partial and flawed. It emphasised the imperial nature of the economic surplus (the drain) rather than analysed the size of the domestic surplus. It underplayed the role of population and presumed that political control of power and halt of drain would ensure allocation of the surplus to the appropriate sectors would solve the problem of Indian industrialisation. Thus the faith in planning and state intervention at the time of independence and its preoccupation with allocational issues neglecting productivity and the need to increase the overall size of surplus. Further by viewing the problem in agriculture in purely institutional terms the early planners neglected the need to increase agricultural productivity and fell prey to the neglect of agricultural growth as a *prerequisite* of industrialisation in the then prevalent theories of growth. He saw agricultural growth under the stimulus of the green revolution as having occurred independently of the planning process as an exogenous shock which has allowed capitalism to take over as the dominant mode in the countryside. This transformation occurred outside the Mahalanobis perspective. The Planning Commission did play its part as it happened but did not initiate this change. Its focus was principally on industrial transformation. The bigger structural change in the Indian economy came independently of planning outside its framework. What is more, this change undermined the presumption that planning would be an instrument for bringing socialism to the country."

Utsa Patnaik cited various estimates (including her own) of the "drain of surplus" and questioned Desai's contention that the absolute size of the surplus was either small or shrinking. More importantly, Utsa Patnaik argued it was the legacy of colonialism in India which necessitated state interventionism and planning as pre-conditions for economic development. What was this legacy? As Patnaik summed it up, "We see several closely inter related and inter dependent phenomena emerging from the 1820s onwards which persist until the 1930s: de industrialisation and de urbanisation of India accompanied by industrialisation and urbanisation in Britain; the transfer of a portion of the Indian taxation revenues to Britain entailing a continuous excess of domestic investment over domestic savings in Britain; the realisation of this transfer through a continuously maintained merchandise export surplus from India with on the obverse a continuously maintained merchandise import surplus into Britain; and finally commercialisation of agriculture following the drive to expand the production of exportables in India (essential for realising the transfer) in the form of primary commodities entering as raw materials and wage goods into expanding industrial production in metropolises. In this context she saw the achievements of Indian planning as stemming from the recognition that the unrestricted operation of market forces and openness of the economy in an ex colonial country given a world still dominated by predatory international capital would only perpetuate industrial backwardness. Given the legacy of imperialism it was correctly seen that state intervention was essential to the strategy of independent albeit capitalist industrialisation in a post colonial economy.

The discussion during the session focused upon the concept of economic surplus as it came up in Desai's paper and the relationship between the size of economic surplus and its mode of utilisation. The discussant for Desai's paper, Amit Bhaduri, said that in the Indian case the Mahalanobis model assumed a fixed real wage, as is usual in surplus maximising models of growth, while it was in fact a questionable assumption. If real wages are downward flexible then the size of the surplus was not as rigidly determined as the model had supposed. On the other hand he suggested one reason for the assumption of downward rigidity of the real wage in India may have been India's relatively high sensitivity to inflation, which in itself requires an explanation.

II
Political Dimension

A paper that directly addressed itself to the political role of planning in India was that by Partha Chaterjee. He examined the question of how the assertion of the "technical discipline" of planning can become an

instrument of politics in late-colonial India, the Congress Party's, and Nehru's, attitudes to planning was not only a part of the anticipation of power by the leadership of the Congress it was also an anticipation of the concrete forms in which that power would be exercised within a national state More specifically planning was used to legitimise the requirements of capital and the debate on the need for industrialisation was politically resolved by successfully constituting planning as a domain outside the squabbles and conflicts of politics According to Chatterjee A developmental ideology then was a constituent part of the self definition of the post colonial state The state was connected to the people nation not simply through the procedural forms of representative government it also acquired its representativeness by directing a programme of economic development on behalf of the nation

Rejecting the dichotomy between planning in theory and planning in practice and the claim that it is in implementation that planning has failed rather than in conceptualisation and formulation of the appropriate strategy the paper sees a dialectical relationship between the two suggesting that the failure of planning is directly linked to the political logic of the passive revolution (*a la* Gramsci) which sought to promote industrialisation without taking the risk of agrarian political mobilisation This was an essential aspect of the hegemonic construct of the post colonial state combining accumulation with legitimation while avoiding the unnecessary rigours of social conflict To quote Chatterjee While the planner thinks of his own practice as an instrument for resolving conflict the political process uses planning itself as an instrument for producing consent for capital's passive revolution

In his response the discussant Gautam Sen argued that while politicians have short term objectives involving their immediate political survival the autonomous Planner is supposed to have the long term objective in view with no personal stake in the short term This was however not possible because while planning was intended to legitimise certain political processes it is the politicisation of planning which has in fact made economic issues like planning a political phenomena In the discussion that followed the following points came up In any analysis of the post-colonial state it is important to capture the role of imperialism and the anti imperialist content of state policy State intervention in post colonial societies while obviously serving the interests of the dominant class often had an anti imperialist dimension which should not be neglected It was asked if planning in a strategic sense had actually been replaced by short term crisis management given its inability to cope with interest group lobbying and political bargaining Was planning in India ever anything more than a process facilitating accumulation for and legitimisation of capitalist development? Even if this was so, it was asked, had either of these functions been adequately performed? Finally, it was suggested, it is wrong to view planning in such a uni dimensional way since the bourgeoisie had after all not accepted planning in its entirety and at least some part of the legacy of planning especially of the First Second and Third Plan periods had become matters of contention between conflicting political tendencies After all planning had created a space for non capitalist and non market forms of economic activity which are difficult to wish away in contemporary India

Some of these themes were taken up in Ajit Mazoomdar's paper which offered a useful and comprehensive overview of planning in India It drew attention to the fact that the national consensus which had existed for planning in early post independence years had yielded to increasing divergence in attitudes towards the planning process in general and the planning machinery within the government in particular He emphasised the need for a wider historical perspective in current attitudes to planning in India and drew attention to the political philosophy underlying the concept of planning in India Mazoomdar regretted the increasingly partisan political character of five year plans and offered suggestions for strengthening the machinery of planning with greater decentralisation

In his remarks the discussant Ian Brennan contested the view that planning could be an apolitical technical exercise and did not find it surprising that it was in fact partly political It is the mistake of economists to view planning as a technical exercise and this was due to the fact that planning was seen as the domain of the technocratic economist rather than that of a social scientist Economics is inherently an interventionist discipline unlike the other social sciences and believes in the malleability of the social fabric—that it can somehow be manufactured and shaped through state intervention' In this sense post independence planning in India was a continuation of the apolitical style of bureaucratic interventionism of the colonial period In the ensuing discussion the following points were made that the problem of planning in India was not one of technical capabilities of the system and its functionaries but had to do with the nature and levels of decision making which was too bureaucratic and centralised that the planning process has been diluted from one of long term strategic planning to (a) arbitrating over inter state resource transfers and allocations and (b) overseeing inter departmental conflicts in allocation of public resources that planning at the macro level was discredited by failures of the control system at the micro level that "planning as much as non planning or liberalisation were equally political or ideological categories and that it was wrong to see the case for a market economy as a non ideological one, finally, it was argued that while planning and state intervention may be "inefficient" in economic terms they tend to be socially or politically "efficient" in the sense that they try to promote social harmony and reduce inequalities The shift from a planned to a free market system may promote growth and efficiency but this would be at the cost of increased economic inequality and social conflict The choice for any society would have to be between such alternatives

Another dimension of the politics of planning examined in the paper by Sukhamoy Chakravarty (a chapter from his book on development planning in India which was introduced by Sanjaya Baru in the author's absence) was the dichotomy which is seen to exist between planning in theory and planning in practice A simplistic way of viewing this dichotomy is in terms of the neglect of the feasibility of plans Chakravarty suggests that a good plan must minimally attempt a proper appraisal of the feasibility of what it normatively postulates A second interpretation of this dichotomy would be in terms of the level of aggregation involved in macro economic planning and its inability to influence the very large number of factors involved in implementation of plans One possible explanation for this failure is that plan models have been improperly specified in the sense that they have failed to capture the true state of underlying structural relationships The paper considers other explanations as well like information failure Considering such distortions is the solution to be found in the free operation of market forces and the price mechanism? Chakravarty is sceptical of this alternative and votes in favour of more effective planning While it is true that state intervention has given rise to directly unproductive rent seeking activity Chakravarty does not believe that an open trading market system can provide the needed set of signals especially in the face of technological change, for a developing economy After listing out the kind of reforms that need to be undertaken to make planning more effective the paper draws attention to the fiscal crisis in the Indian public economy and the need for a major attempt at resource mobilisation on a national scale as a pre condition to any attempt at reinstating the importance of the planning process within the economy as a whole

The discussant David Taylor while conceding the failure of a market mechanism in tackling the problems of a developing economy was not sure if planning had all the answers Indeed despite planning inter regional and inter class inequalities do not seem to have reduced in India In the discussion the problem of information availability and the quality of the available information came in for close scrutiny The declining quality of data in India was attributed to an increasing "deafness in the bureaucratic and political system which was not interested in generating the required information

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because it was not willing to "listen" to what this information had to say The availability of information is not independent of its utilisation and the political consequences thereof

III

Agriculture

Trends in Indian agriculture were examined in papers by Krishna Bharadwaj J Mohan Rao Utsa Patnaik and Ravi Srivastava Mohan Rao provided an overview of developments in Indian agriculture and the role of government policy Not only was there little strategic planning in agriculture during the first three plans but there was unwarranted rural optimism and the government exhibited a peculiar non interventionism especially in the area of agrarian reform which was not so evident in the industrial sector While industry was subject to more regulation and planning agriculture was left largely on its own till the green revolution strategy was adopted This has been one of the major areas of failure for Indian planning and while famines have been avoided and the long term rate of growth of foodgrain production has been pushed up above the pre independence level India has failed to increase per capita food consumption on a sustained basis Rising food prices along with rising income inequalities have contributed to this Government interventions in the food market have especially in recent decades favoured the well to do net sellers of food and worked against the interests of the mass of the net food buyers both rural and urban

In his comments the discussant James Boyce built up a case for democratic as opposed to technocratic solutions for India's agrarian sector Other reactions included disagreement with the author on his observations on trends in income inequality and its link with growth It was also suggested that the rural urban dichotomy was increasingly losing its significance both in the capital and labour markets with greater integration occurring as a result of the widening and deepening of capitalism in the economy

The second part of Utsa Pátnaik's paper was devoted to an analysis of agrarian change in India in the recent period In her view "the major failure [of planning] is embodied in the historic compromise reached by the Indian capitalist class with the landlords, in which any effective and radical land redistribution was shelved It is this failure to break the monopoly of productive resources in a few hands which has determined the character of capitalist investment in agriculture and the consequent perpetuation of unemployment and poverty for the majority of the rural population" Given the historical legacy of colonialism in India a rational strategy of growth in her view, "demands measures to expand rapidly employment and, therefore, the mass *internal market* for capital", and both early planners like Mahalanobis and contemporary policy makers are accused of having failed to understand the importance of the unemployment problem and the strategy of development required to tackle it in a large ex-colony like India The legacy of the strategy pursued thus far was summed up in several tables which present data on trends in unemployment land ownership food production and consumption shares of wages and property incomes in NDP and inter regional inequalities in the agricultural sector Finally the paper presents a set of rational policy alternatives aimed at generating employment and redistributing income and assets Short of land redistribution the only alternative was the formation of co operative organisations of the rural poor The author also builds a case for co operative utilisation of rural resources from an ecological point of view

In his detailed comments on the paper Michael Lipton agreed with the broad thrust of Patnaik's policy recommendations but was sceptical about her analysis of the statistical trends Her conclusions were not wrong statements but over statements which in his view exaggerated the negative impact of colonialism and of the role of institutions in the agricultural sector neglecting the role of technical factors Lipton believed that land reforms were still feasible in India provided the urban economy was willing to bear the burden of compensation for farmers financed by higher taxation of urban income In the discussion it was pointed out that any experiment with rural co operatives could succeed only if it was supported by a strong peasant and agricultural labour movement otherwise such institutions would be dominated by the existing vested interests

Krishna Bharadwaj's paper offered an analysis of agricultural price policy within the overall context of agricultural planning and the emerging inter regional inter sectoral and inter class conflicts in India Prices are not simply manipulable variables since they are thrown up by a specific structure of production and exchange relations Any planning or policy making body which seeks to set prices that do not reflect these underlying forces will only be frustrated in its effort of effecting changes in income production and consumption profiles Given the diversity of production conditions and relations as well as the geophysical and natural resource positions of various regions and the differences in technical advances in production methods of various crops as well as the diverse pace of commercialisation of regions or of crops and of producers, prices are formed reflecting this diversity of conditions ' While price policy has been an important component of agricultural policy in India it has not always succeeded in meeting the stated objectives because the policy framework has not come to terms with the extant structure of production and exchange which have often distorted the transmission of price and non-price signals in the economy

The discussant, Ajit Ghosh, pointed out that agricultural price policy became an important aspect of official policy only in the mid sixties with the initiation of the green revolution strategy and was never an important instrument of planning up to then Indeed at a time when the government began fixing agricultural prices macro-economic planning was itself in a crisis and early planners including Mahalanobis had neglected the role of agricultural prices and inter sectoral terms of trade in macro economic planning The policy of setting agricultural prices it was pointed out in the discussion, had only helped to stabilise fluctuations and had not helped in determining the absolute price level which was determined by institutional factors rather than by the policy framework

In a well documented and interesting analysis of uneven spatial development Ravi Srivastava examined the record of one of the major goals of macro economic planning in India namely to reduce inter regional inequalities The paper brings out the inability of government policy to counter the impact of historical and contemporary institutional and demographic factors in shaping the nature of spatial development in India In Srivastava's view the planning process and the public investment strategies have played an important role in making the feasibility of a certain change relatively more widespread But the range of this opportunity itself varies from region to region Moreover whether certain classes reorient their strategies also depends crucially on the pre existing modes of surplus appropriation' and other factors such as demographic changes and class formation in agriculture The paper finds disparities in agricultural growth more marked than in industrial growth and these disparities have in fact widened over time Significantly regions with a greater proportion of middle level households in agriculture with weaker landlord domination are shown to exhibit stronger growth tendencies In summing up his analysis Srivastava is struck by the fact that forty years into planning the pattern of growth should still bear a substantial correspondence with the historical location of relatively more dynamic class formations," and is sceptical about the possibility of the trickle down effects of uneven capitalist development reducing this spatial imbalance

The discussant Biplab Dasgupta wanted greater attention paid to the role of state

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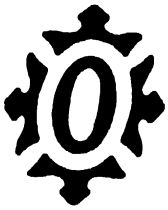

Sarvepalli Radhakrishnan
A Biography
S GOPAL

Sarvepalli Radhakrishnan stands alongside Nehru and Gandhi as one of the most eminent Indians of his time The details of his remarkable life are provided for the first time in this authoritative biography by Radhakrishnan's son S Gopal Professor Gopal has relied extensively on the Radhakrishnan papers still in the private possession of the family as well as on official archives within the country and abroad *Rs 250*

Rethinking Working-Class History
Bengal 1890-1940
DIPESH CHAKRABARTY

This volume is important as being one of the first to offer a thorough study of the history and politics of the Indian working class It combines a critique of labour history in Marxist scholarship with empirical work on the jute mill workers of Calcutta Opposing reductionist views of culture and consciousness Chakrabarty examines the actual milieu of workers and the ways in which this influenced their capacity for class solidarity and revolutionary action Around this empirical core is built also a critique of emancipatory narratives and their relationship to categories such as capital proletariat and class consciousness *Rs 225*

Urbanization and Urban Systems in India
R RAMACHANDRAN

The book focuses on the processes of urbanization and the nature of interdependence among urban centres and between urban centres and their hinterlands The approach is at the macro level

The first chapter provides an overview of studies on urbanization in India and a detailed chapter on the history of urbanization follow These provide the necessary background to the chapter on urbanization processes The locational aspects of urbanization are covered in the next five chapters which discuss the problem of defining an urban place spatial patterns of urbanization classification of cities theories of settlement location and the analysis of settlement systems The relationships between a city and its surrounding area are then studied at two levels the larger area of city dominance and the city fringe area Finally the author examines the fundamental issues involved in framing a national urbanization policy and expresses hope that the development of smaller cities and towns may provide some relief from the problems of overcrowding and unplanned growth *Rs 250*

The Hindu Equilibrium
Volume 1-Culture, Stability and Economic Stagnation India c 1500 BC – AD 1980
Volume II – Aspects of Indian Labour
DEEPAK LAL

The author argues in Volume 1 that to understand India's current economic problems it is necessary to examine the demographic ecological and political conditions in which the ancient Hindus fashioned a social and economic equilibrium that has remained relatively stable for thousands of years It provides an appraisal of the past and a diagnosis of current Indian social and political problems which is at variance with conventional wisdom

Volume 2 provides arguments against the conventional view that there is surplus labour in India It puts together the available historical data on wage trends and wage structures in India and in this context examines the determinants of unemployment and rural and urban wages

Volume I Rs 325 *Volume II Rs 275*

India's Export Processing Zones
RAJIV KUMAR

The central objectives of the study are to identify factors adversely affecting the operation of Export Processing Zones in India to suggest measures to improve their working and to examine in depth their economic viability within the framework of a social benefit cost analysis *Rs 175*

Gandhi
Pan-Islamism, Imperialism and Nationalism in India
B R NANDA

This book is a study of the history of the freedom movement during a crucial period of its history of the varying perceptions and background attitudes of important segments of Indian society to it as well as those of the British and of Gandhi s role as the chief actor and catalyst Through a generous use of primary sources and sketches of the careers of five significant Muslim leaders of the time namely Sir Syed Ahmad Khan the Ali Brothers Dr Ansari and Maulana Azad it vividly recreates the spirit and flavour of the times *Rs 250*

Oxford University Press
Bombay Delhi Calcutta Madras

policy, especially in the agricultural sector, in explaining inter regional variations in growth In the discussion it was suggested that the picture of inter-regional growth can be altered depending on how one classifies the data and alternative hypotheses can be supported by a regrouping of the same information

IV

Industry

The session on industry discussed papers by Amiya Bagchi and Isher Ahluwalia Bagchi's paper on the public sector in India postulated that one way to approach the macro economic and macro social setting of public enterprises in Indian industry is to look upon them as an answer not the answer to the problem of private investment failure That is the inability of private merchants and industrialists to invest on an adequate scale in projects that have long gestation lags require high levels of initial finance and durable contracts with other supplying or consuming enterprises for them to be viable in the long run In current debates on the public sector the strategic role of the sector is not often recognised by its critics Bagchi argued that an important component of the lobby in favour of privatisation would be the non resident Indians and foreign businesses who would like to see India's external indebtedness increase as a means of weakening the relatively autonomous basis of industrial growth in India Having said this it must be conceded that the overall record of the public sector despite several and important exceptions has not been a good one especially in the area of technology transfer adaptation and development The chain of dynamic adaptability of technology from innovation or import to further innovation or adaptive upgradation and so on has been broken at all possible points even in the case of the public sector not to mention the private sector accounting at least partly for its poor track record Finally Bagchi argued the solution to the problems besetting the public sector cannot be purely managerial since many of its problems are political and social

The discussant Nigel Crook emphasised the need to focus more clearly on the changing relationship between the public and private sectors The hidden agenda of the public sector has been (a) to bear some of the social costs of industrialisation and (b) to protect or promote employment in the economy While the public sector has served the former objective it has failed to do so in the latter case and in the more recent period employment in the public sector had ceased to grow In the discussion it was asked how one could explain public sector inefficiency (high costs of production) if it was in fact required to subsidise the creation of assets for the private sector One way of explaining this obvious paradox was to argue that over time the public sector and its employees have acquired a relative autonomy within the system and they are increasing their share of the cake through rent seeking The political importance of the middle class or of intermediate regimes (*a la* Kalecki) and their ability to demand higher wages and salaries could explain this and also the problem that capital faces in privatising the public sector Part of the reason for the public sector entering into certain lines of activity it was suggested had to do with inter corporate (or inter business house) rivalry in India whereby rather than concede a licence to a rival business house the public sector was asked to invest

Isher Ahluwalia's paper provided an overview of the strengths and weaknesses of the strategy of industrialisation pursued in India and the contribution of planning She argued that the early five year plans including the Second Plan had not built a case for protection based on the infant industry thesis consequently protection was blanket and this combined with export pessimism of the early planners had created an insular and inefficient industry In his response the discussant M K Bhagavan suggested that export pessimism in the 1950s could easily be explained given (a) the absence of any historical experience at the time of export led growth in the third world (this was to occur only in the 1960s and 1970s) and (b) the strong influence of the success (at the time) of Soviet industrialisation experience The thesis of export pessimism may be relevant for the sixties or seventies but clearly not for the fifties and yet after the foreign exchange crisis there was hardly any export pessimism among policy makers If Indian exports did not increase during this period it was not due to policy blinkers but due to the strong lure of the domestic market in almost all commodities which India could have exported He saw the need to distinguish between the government's fiscal crisis and an overall resources crisis the latter did not exist in India and the former was largely of the government's own making Finally Bhagavan drew attention to major structural changes in Indian industry and said that while Indian industry had built up an impressive manufacturing capacity it had not succeeded in creating the requisite design capacity and here the impact of import and investment liberalisation in recent years could only be deleterious to the long term interests of the industrial economy

V

Foreign Trade, Aid and Investment

This session discussed papers by Deepak Nayyar Nirmal Chandra and Pramit Chaudhuri Deepak Nayyar's paper examined the role of the foreign trade sector in the wider context of planning for industrialisation in India the interaction between the macro economy and the foreign trade sector and provided a simple analytical framework of the macro economy of the external sector Nayyar illustrated the nexus between exports and investment at the macro-level thus, "Exports provide an external market on the demand side and enforce a cost discipline on the supply side, whereas investment creates a domestic market on the demand side and transforms the industrial structure on the supply side Hence, there is a possible cumulative causation that arises from the interaction between the effects of the foreign trade multiplier and of capacity creation combined with industrial cost-efficiency On the demand side high investment and high exports together induce market expansion and may be conducive to high growth On the supply side, a high or rising proportion of investment in GDP may provide flexibility through more rapid supply side adjustment while a high or rising proportion of exports in GDP may provide discipline by enforcing cost efficiency Such a virtuous circle of cumulative macro economic causation would be associated with a rapid growth in GDP industrial output and manufactured exports

In large countries such as India Nayyar summed up where the domestic market is overwhelmingly important sustained industrialisation can only be based on the growth of the internal market On the other hand in small countries the possibilities of industrialisation may be limited by the size of the domestic market In the ultimate analysis large economies must seek to externalise internal markets whereas small economies must endeavour to internalise external markets Therefore industrialisation may stress manufacturing for the domestic market through import substitution or manufacturing for exports to external markets The emphasis as also the quantitative and qualitative significance of the foreign trade sector would depend on the size of the economy and the stage of its development Unfortunately this basic issue has often been reduced to a debate about trade policies for industrialisation or the choice between import substitution and export promotion

In his response the discussant V Bhaskar questioned the view that import liberalisation would induce efficiency and bring dynamic gain in the long run even if it meant that short term cost would have to be incurred The effect of trade on the economy would depend on the internal structure of the economy If the domestic market is small and economies of scale are high then exports can help in achieving scale efficiency but this would be at the cost of exposure to the world market Hence, there are both costs and benefits attached to a strategy of growth based on the external market In the ensuing discussion the following points were made that no general theory of the relationship between external trade and macro economic growth can be constructed that price competitiveness was not adequate in judging the ability to export given the importance of a variety of non price barriers to trade ranging from marketing ability and product quality specifications

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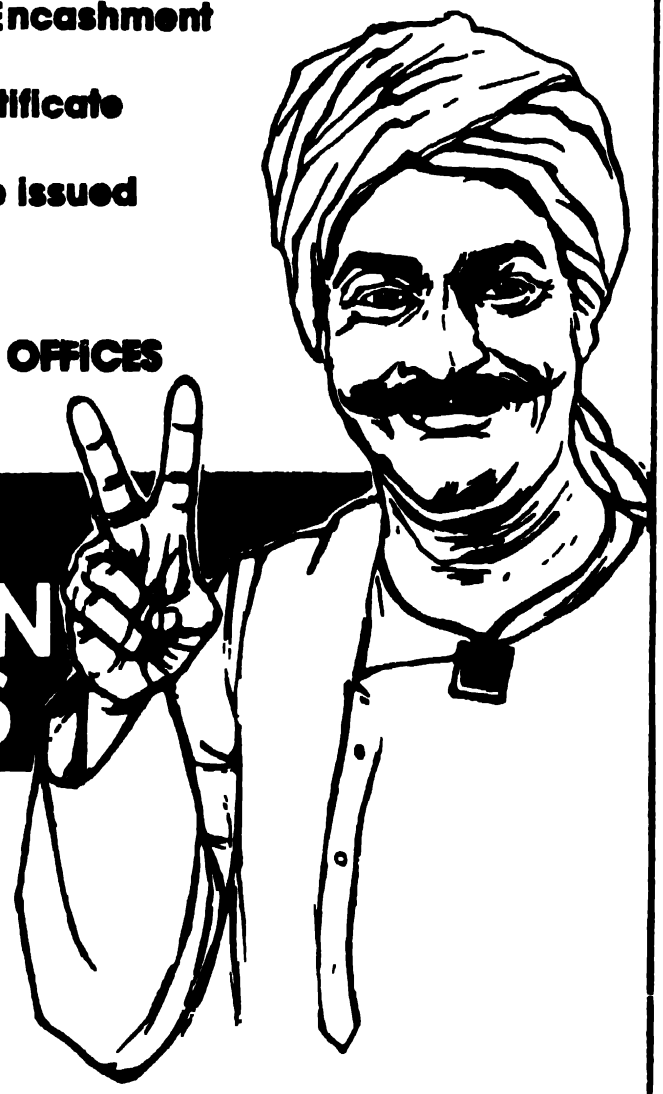

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to political and non-tariff barriers; that the concept of the "size of the internal market" was nebulous, and that any attempt at trade liberalisation should not be made when the internal economy was not otherwise sound since this could result in increasing external indebtedness and domestic inflation This point came up for greater discussion in the last session

Pramit Chaudhuri, in his survey of the contribution of foreign aid to India's development strategy, drew attention to the former's quantitative insignificance and its marginal role in influencing the objectives of planning Foreign aid did give the government of India added economic power by placing at its disposal a key resource which was neither available to state governments nor to the private sector On the other hand despite its quantitative insignificance it did have the effect of blunting the radical stance adopted by the government in the early years of planning Foreign aid had, however no positive impact on any of the major goals of Indian plans, namely achieving self reliance, poverty removal and the establishment of a "socialistic pattern of society' though it has helped in crisis management from time to time or in promoting special programmes like Operation Flood

The discussant, Deepak Lal saw the role of foreign aid as one of 'bailing out the planners from the problems created by the inefficiencies of the control system and preserving the "interest group equilibrium that rent-seeking had given rise to In the current context he saw little prospect for any increase in foreign aid to India so that the government rather than being bailed out would have to resort to either of the two solutions to meet the extant economic situation (a) reduce government expenditure, or (b) remove controls and unleash supply side effects Lal believed both were difficult options and so the government was being forced to borrow heavily abroad and thereby "mask the fiscal crisis" Increasing foreign borrowing, Lal suggested was an early signal of things to come", which in his view was a 'Latin American type situation of hyper-inflation" A 'positive" outcome of such a situation, in Lal's view would be that the impending economic crisis would force politicians to take "necessary measures to fight the vested interests and break the interest group equilibrium" Rather than opt for this "reckless alternative" the government would be saner in opting for reduced external borrowing and fiscal deflation at home.

In the discussion that followed there emerged an interesting consensus across a wide theoretical spectrum on the dangers inherent to the current policy of the union government of resorting to heavy external borrowing along with import and foreign investment liberalisation at a time when inflationary pressures were relatively strong and the government's fiscal scenario was far from stable. There was disagreement on Lal's characterisation of the alternatives. India did not require a Latin American style hyper-inflation for political crisis to set in given the higher sensitivity to inflation here Further, the kind of crisis outlined by Lal need not necessarily end up with the breaking up of the so-called 'interest group equilibrium rather it could force such groups to close ranks and resort to more authoritarian forms of political control aimed at securing their share of the surplus

Nirmal Chandra's paper probed the relative importance of foreign capital in the private corporate sector in India the performance of foreign firms and the implications of recent changes in policy toward foreign capital The paper documents the poor record of foreign firms both in import substitution and in export promotion and contrasts the Indian experience with the Japanese It concludes If the Japanese story has a moral for India it is that India's striving for an indigenous technological base cannot succeed without a long phase of purposive planning and protection against foreign goods technology and direct investment In his comments the discussant V N Balasubramanian argued that India had a love hate relationship with foreign capital and that the choice between repatriation and reinvestment of profits was not an easy one Repatriation raised protests of capital outflow while reinvestment raised fears of increased control of productive capacity Drawing attention to increased Indian investment abroad he wondered why Indian firms seemed to perform better abroad than in India had it to do with the burden of the control regime at home? In the ensuing discussion it was pointed out that the question of access to technology was central to any debate on foreign capital Foreign investment was not bad in itself but it was the terms on which it came that were questionable

VI

Macro-Economic Framework

Papers dealing with the macro economic framework of Indian planning by Prabhat Patnaik Ashwani Saith Vijay Joshi and I M D Little confined themselves largely to an analysis of the Mahalanobis model and to a critique of recent policy changes Prabhat Patnaik offered a critical examination of the Mahalanobis strategy arguing that it did not take cognisance of the fact that the production structure and the structure of income distribution in any economy are interlinked In Patnaik's view the trajectory of development in the Indian economy suggests that the naturally reinforcing changes in each of these structures have pushed the economy in a direction where its labour reserves may never get used up perpetuating widespread un and under employment Mahalanobis conception of the Indian economy it is argued had not only overlooked the possibility of such cumulative movements, by assuming what Patnaik terms, "fiscal omnipotence on the part of an absolutely autonomous and benevolent state, but had also assumed that the production structure would be rigid against the pulls of a demand structure thrown up by an income distribution structure generated and sustained by the former In Patnaik's view the political economy discussion in India had committed a similar mistake as the technocratic view had done by postulating a one way causation running from the income-distribution side to the production structure with the former seen as independent of the latter and assuming fiscal impotence of the state *vis a vis* the propertied classes Given domestic income and asset inequalities and an international demonstration effect an economy like India is bound to face pent up demand for luxuries (a constant demand for new goods") which would force the production structure to be moulded by the structure of demand Given technological rigidities in the production of such goods the capital and import intensities of production a labour surplus economy like India is bound to be stuck with the problems of massive unemployment

In his comments the discussant S K Rao, noted that the outcome of the model was dependent on two assumptions (a) that the production of new goods was a capital intensive process and that additional employment created in this process was high wage employment generating further demand for new goods and (b) that the technology required for the production of these goods is constantly changing necessitating continued import If such new goods could be manufactured with labour intensive and domestically generated technologies then it would still be possible to solve the problem of unemployment even if the structure of income distribution had not significantly altered Further the model was seen to rest on the assumption that the technological gap between India and the developed countries, producing the new goods was not being bridged In Rao view an important factor that influenced the demand for new goods" was the structure of agricultural production If land concentration was high and marketed surplus was generated by a small number of affluent farmers then the agrarian sector's demand for industrial new goods' would be greater than if the agrarian sector was more egalitarian generating a pattern of consumption in which the demand for 'new goods was lower In short the smaller the number of farms and farmers from which the marketed surplus had to be extracted the larger the volume of new goods that would have to be offered in exchange for this surplus Rao also wanted the dynamics of the model to be linked to the problem of external indebtedness which had emerged as a major by product of the present economic policy regime in India In the discussion the following points were made the process of industrial development in India has been such that on the demand side, income distribution has been distorting the pattern of consumption as assumed in the Mahalanobis model and on the supply side the lack of indigenous technological capability to meet this demand was forcing the country to im-

port the required technology and goods Thus the capital intensity of production in India was not simply a product of government policies as often alleged but of the extant structure of income distribution and the consequent demand pattern Parallels between the Indian and Brazilian experience (dubbed as the inequalising spiral strategy) were also drawn

Ashwani Saith examined various critiques of the Mahalanobis model in relation to its treatment of distributional issues Unlike in Gandhian and Maoist strategies of development where labour intensive rural technologies are viewed statically and as alternative technologies Mahalanobis saw them as a component part of modern industrialisation in a labour abundant economy The employment that heavy industry strategy could not provide was to be generated by rural small scale industries in this model If this did not actually occur the fault was not with the model but lay with the political system there was not enough political pressure in favour of rural industries or poverty alleviation programmes as there was for instance in favour of the public sector Saith thus believed the Mahalanobis strategy did not really take off because only one half of the strategy was implemented creation of the heavy industrial base, and the other half rural industrialisation was not

The discussant Pranabh Pardhan argued that all policy modelling on poverty was done in a political vacuum since no government has in fact been committed to a serious programme of poverty eradication He dwelt at length on the shortcomings of NSS data on consumption in estimating inequalities and suggested that given the under representation of the rich in NSS consumption expenditure surveys the under estimation of inequality was in fact increasing over time Consequently inter temporal studies understate the increase in inequality Further he presented a strong case in favour of combining different variables like demographic data and different methodologies like macro level statistical exercises with micro level anthropological studies to provide more realistic estimates and analysis of poverty in India

While Vijay Joshi and I M D Little tabled a paper already published in *EPW* they made an impromptu presentation of ongoing work on macro economic trends in India This is part of a 17 country study and Little brought out the contrasts between India's record and that of other countries Indian macro economic policy was seen as the most conservative of the 17 countries in as much as it allowed for the lowest rate of inflation a tight monetary policy and had a good record on external debt In the long term, however, India's record was poorer in terms of GDP and export growth in comparison with ASEAN, Brazil and Mexico Little also provided estimates that suggested a weak, if absent, link between public and private investment in India contradicting a widely held view on this relationship Joshi's survey of macro-economic policy handling during different episodes of "crisis" in the economy (1965 66 1973 74 and 1978 79) showed changing attitudes towards inflation with the government willing to allow higher rates of inflation to prevail instead of administering the monetarist squeeze In contrast to "muddled" responses to crisis in the mid sixties Joshi saw more maturity in later periods Nevertheless, the Indian record was vastly different from that of most third world countries and it was not clear why India had such a low toleration level for inflation

In his comments the discussant John Love saw the Indian experience as being touted in defence of monetarism He also emphasised that thus far it appeared that the benefits of controls seem to have outweighed the costs and that the timing of liberalisation was important since it could have different repercussions at different times given the internal and external economic environment He saw the paper giving far too much importance to Indian bureaucracy in macro economic policy formulation and crisis management and ignoring the role of the political leadership In the discussion it was pointed out that better crisis management in the late 1970s as opposed to the mid sixties was more on account of fortuitous developments like an increased inflow of foreign exchange remittances and improved external trade and payments trends rather than due to policy reasons The paper's analysis of inflation was seen as too monetarist not taking account of the role of institutional factors such as administered price increases in inducing inflationary pressures While India's record on growth may have been worse than other countries on a long term basis it was important to remember that its ability to absorb external shocks and handle crises in the world economy was better largely on account of the policy of self reliance pursued in the past In his response Joshi conceded that it is dangerous for any country to liberalise externally when the government is losing control on public finances and was building up a huge deficit and a debt burden as was in fact the case with India currently

VII

Summing Up

The conference concluded with a summing up of themes by Amit Bhaduri and Pranab Bardhan Bhaduri drew attention to the manner in which the discussion repeatedly threw up the question regarding what constituted endogenous and exogenous variables in economics This figured in three specific areas information investment and terms of trade Was information exogenous to the economic system or endogenous to it (a manipulable variable)? Unless one is clear about the nature of the information one was using a lot of empirical analysis would be faulted Further, mainstream (neo-classical) economic theory had not yet found a way of analysing the transition process from one state of equilibrium to another So when one was analysing economies in transition (transitions in policy regimes, production and trade regimes, structures of proportionality between sectors, and so on) it was still not clear how to handle the problems of transition within these methodologies

Pranab Bardhan was struck by the repeated conflict that seems to come up in the studies on India between the findings of macro and micro level enquiries How does one reconcile the two? He argued in favour of a coming together of disciplines the need for economists to use the tools of the anthropologist in arriving at a deeper understanding of the processes of change He emphasised the need for incorporating trends in the political and social arena into economic analysis and outlined a list of areas in which economists could do more work

A view was expressed that the conference had neglected to look at the impact of planning on the position of workers, in urban and rural areas on women tribals and the environment Terry Byres will edit a volume of these conference papers and the book should be available next year

APPENDIX LIST OF PAPERS

Ahluwalia Isher J Contribution of Planning to Indian Industrialisation

Bagchi A K Public Enterprises in Indian Industry A Macro and Meso level Analysis

Bharadwaj Krishna Agricultural Prices Policy for Growth Emerging Contradictions

Chakravarty Sukhamoy Problems of Plan Implementation

Chandra Nirmal Planning and Foreign Investment in India

Chatterjee Partha Development Planning and the Indian State

Chaudhuri Pramit Foreign Aid and the Planners in India

Desai Meghnad Indian Planning—Techniques Perspectives and Context

Joshi Vijay and Little I M D Indian Macro Economic Policies

Mohan Rao J Agricultural Growth and Planning s Contribution

Mazoomdar Ajit (i) The Rise and Decline of Development Planning in India (ii) The Political Economy of Indian Planning—A Note

Nayyar Deepak The Foreign Trade Sector—Planning and Industrialisation in India

Patnaik Prabhat Critical Reflections on Some Aspects of Structural Change in the Indian Economy

Patnaik Utsa India's Agricultural Development in the Light of Historical Experience.

Saith Ashwani From Mahalanobis' Fourth Sector to Indira Gandhi s Garibi Hatao'—The Treatment of the Distributional Dimension in Indian Planning

Srivastava, Ravi Planning and Regional Disparities in India

Stabilising International Commodity Prices

Too Little Too Late?

Satish Jha

The Common Fund for Commodities, first proposed in 1974, has at last been ratified by the required number of countries However, the fear is widely shared that the Fund has come into existence a decade too late and a billion dollars too short in terms of the funds at its disposal

IT has taken fifteen years to find a seat for the Common Fund for Commodities This July the first governing body meeting of the Fund at Geneva decided to locate its offices at Amsterdam in Netherlands and appointed Budi Hartantyo of Indonesia (a former Dutch colony) its first chief executive But considering that the Common Fund is the only concrete symbol of the idea of a new international economic order and should have meant a great deal for the developing countries, its birth was a rather quiet affair Moreover, the process of giving it the final touches has left a few questions about its functioning and the future.

Amsterdam had to be chosen for its office in preference to Brussels even though the latter came up with a far more generous offer than Holland, offering office space virtually free of cost for ever compared to Netherlands' concession of free office for six years only Secondly, a compromise had to be made in choosing its chief executive in favour of a country which belongs to OPEC and has led the negotiations for the Common Fund since the beginning, leaving aside a somewhat more suited candidate from India who had led the Common Fund cell in UNCTAD earlier this decade and was thought to have an edge over his competitors for the job India did reach the third and final round of election only to get about a quarter of the votes What is worse though is the virtually forced appointment of the candidate from Denmark as one of the three senior staff members of the Fund after he had been defeated in the first round itself His biodata circulated at the time of election does not show any financial or commercial expertise that he may need to help run the Fund This when the Scandinavian countries were in the forefront of the negotiation process leading to the founding of the Fund Moreover, all the developed countries had been asserting all along that professionalism must not be compromised This leaves the Fund with little continuity or the necessary first rate professionalism so badly needed to make it a success The governing body also failed to appoint two of its twenty-eight executive directors because those electing were not very familiar with the rules thus leaving the developed countries with more votes in the executive committee than the developing ones even though it is supposed to be a body created to help the developing countries

To top it all the member countries rather than work out the ways to make the Fund an effective instrument to achieve its set objectives are worrying about whether the deadline for paying in the pledged capital should be Friday of the third week of August or Monday? Reliable sources expect up to 15 member countries defaulting in paying the pledged subscription These points have left some of those concerned about the Funds' future a little despondent In any case, for now the first account dealing with the buffer stocking operations is unlikely to be an active account In the beginning greater emphasis is going to be placed on the second account that will help find out how poor countries can improve their commodities and processing The Fund itself is much smaller than it was originally expected to be Rather than beginning with a capital of $ 1 billion proposed more than a decade back it is starting with half as much a decade later It has taken so long to start that the initial enthusiasm for it has waned Even UNCTAD does not seem too upbeat about it The recent collapse of coffee prices, the experience of tin in particular and OPEC in general and the state of commodity markets in general have left little room for optimism Still the Common Fund of Commodities is a reality It may be interesting to look at how it was brought about

As things stand now the Fund is going to function with $ 315 million of capital and about $ 230 million of voluntary contributions to the second account It will function with Budi Hartantyo as the managing director and Henrik Skouenborg, a Danish foreign service officer, as chief of operations Two more senior officers are to be appointed by Hartantyo with a budget of $ 0 5 million for salaries, etc All countries are supposed to pay up their pledged contributions by August 18 and the managing director should assume charge by mid September Only two international commodity agreements based on buffer stocking principle—rubber and cocoa—are to join the Fund to begin with However there are doubts as to how much can be achieved by such a small secretariat with such a small kitty But some of the senior negotiators associated with the Fund's formation argue that while its capital is smaller it will also be handling fewer commodities than were expected originally Moreover right now the second account involving research and development quality and productivity improvement and market development will be the more active one Still doubts persist due to the novelty of the experiment and those chosen to lead it failing to inspire enough confidence However what is seen by many close observers of the Common Fund negotiations is the fact that the Fund is there at last

First proposed in 1974 under United Nations General Assembly resolution 3202 (S VI) calling for an integrated programme for commodities and discussed in UNCTAD papers through the next year it was adopted at the UNCTAD meeting in Nairobi in 1976 Its protagonists trace the idea of a Common Fund back to Keynes who first proposed an international institution for regulating world commodity markets in 1942 A quarter century later the second UNCTAD meeting at New Delhi considered setting up a Central Commodity Stabilisation Fund But the first proposal to establish a Common Fund was mooted formally by UNCTAD on December 12 1974 following the UN resolution 3202 In the background was the overall failure of the commodity procedures to have international agreements to stabilise the prices or establishing floor prices In the three decades following the birth of the UN system only a few international commodity agreements (ICAs) with economic provisions were concluded Some of these pertained to wheat sugar tin coffee etc Even UNCTAD could not do much better managing to have only one agreement by 1975 - the International Cocoa Agreement

It was then thought by the UNCTAD secretariat which was supposed to be functioning as the secretariat of the developing countries as well, that buffer-stock financing was the major stumbling block in concluding ICAs Therefore

availability of necessary finance for buffer stocking could be an effective way of intervening in the international commodity market while serving the goals of UN resolution 3202 So the Common Fund was thought of as a way of financing individual commodity organisations purchase and stocking of commodities whenever prices fell below a certain level and sale when prices turned favourable or for intervening in the market with similar intent As the situation improved and stocks could be sold the loans would be paid back to the Fund Spreading its role over more than one commodity could spread the risk offer a possibility of profits and generally stabilise and or improve prices For the same reasons it was also seen as a more workable idea than a single commodity fund

So originally the Common Fund was supposed to finance ten core commodities mainly exported by the developing countries These included sugar cocoa coffee tea rubber cotton jute hard fibres copper and tin two thirds of whose exports originated in developing countries Eventually other commodities could have come under the wings of the Fund Original calculations for buffer stocking the 10 commodities were estimated at $ 5 billion and including non core commodities $ 6 billion was supposed to be sufficient to launch the Fund effectively However initially the Fund was to start functioning with only $ 1 billion as paid up capital and $ 2 billion to be generated from loans The other half of the estimated $ 6 billion was to be needed and generated later in the same fashion

The required equity was to be generated by country subscriptions on the basis of an agreed set of criteria that were to include the benefit accruing to the country GNP per capita income and its share in the world commodity trade Loans were to come from governments international financial institutions and the capital market For this it was necessary to make the Fund a financially viable institution This was also the time when OPEC had come to acquire surplus funds It was expected that in the name of solidarity OPEC would come up with substantial concessional loans etc

Once the idea had been spelt out it was followed by a long drawn out negotiation process with the governments and their delegations presiding officers of the conference and its various committees and the UNCTAD secretariat as the principal actors Negotiations were conducted according to the group system prevailing in UNCTAD—the Group of 77 Group B (OECD countries) Group D (East block) and China Some innovations were also made in this negotiation process General ly the chair-personship of the Group of 77 in Geneva rotates every three months But to provide continuity to the Fund negotiations the group decided to establish a permanent group of 33 countries with 11 coming from each region Indonesia s Ali Alatas was elected the first chairman of this permanent negotiating group and though he had to leave the chair to take up a ministerial assignment in his country and a nominee of Philippines replaced him, he continued to be the main negotiator and spokesman Later to make the group even more compact a committee of six was founded and was then expanded to include six more countries Even this group was chaired by the chairman of the Group of 33 However in the name of transparency any country could participate in the deliberations of either group

The main negotiations, however took place between the Group of 77—with Group D and China declaring their agreement with the idea– and Group B which was led by the French ambassador to the UN in Geneva This did not reduce the internal conflicts though Group of 77 was not a homogeneous group with Africa on the one hand and ASEAN and Latin American commodity exporters on the other The autonomy of the existing ICAs also had to be defended Moreover, some of the G 77 countries were also importers of these commodities Within the Group B as well there were major differences—among the US, the hard core opponent of the idea, the UK which was divided between its ideology short-term interests as a major commodity importer and the burden of meeting the pressure of the Commonwealth countries, and the Nordic countries which were generally sympathetic to the cause of the G 77

The major difference, however, could be seen in the composition of the negotiating groups from G 77 and G B with the latter coming from technical ministries while the majority of the developing countries were represented by their lay diplomats Group B also had the advantage of a competent secretariat in OECD while G 77 could bank on the help of UNCTAD which unlike OECD, had to appear to be less than wholly partisan Besides, at the pre negotiation stage the US sent Henry Kissinger himself to kill the idea of a Common Fund and instead propose an alternative idea of International Resources Bank (IRB) with an initial capital of $ 1 billion to guarantee against political risks that may be associated with investments to produce commodities West Germany proposed stabilising earnings rather than prices and the French suggested the idea of ex post pooling These differences continued from the pre-negotiation stage to the agreement being signed and after The US, though a signatory to the agreement, is not a party to the Fund as it did not send the agreement for ratification by the US Congress

The major differences were on the concept itself with the G 77 pressing for prior finance and Group B favouring the concept of pooling and within the G 77 disagreements on the method of assessing the contribution commodity coverage and how the ICA and the Fund were to relate Also most developing countries could not agree to subscribe to the Fund s capital significantly as their commodities were not covered by ICAs and it was seen as a transfer from one developing country to another All these differences led to a compromise position which allowed for some pooling as capital of the fund was to be increased by the association of ICAs by direct subscription of guarantee capital from the country members of ICAs The second account of the Fund was also a result of efforts to give it a broader appeal including to the countries which did not have exportable commodities belonging to the existing ICAs

It was not before the 1980 UNCTAD that an informal agreement was reached and voluntary pledges were invited for the second account It took nearly a year to draft the Articles of Agreement and on June 27 1980 the agreement was finally adopted by consensus establishing the Common Fund for Commodities

However, it has taken these countries nearly twice as long to make the agreement effective by 90 countries accounting for two-thirds of the capital ratifying it It is suggested by those closely associated with the negotiations on the Fund that after the collapse of oil prices many countries were not as enthusiastic about the Fund Abdelaziz Megzari, the senior advisor to the Common Fund in UNCTAD argues that ratification was a problem because developing countries mostly sent diplomats to the negotiations while ratification involves technical departments as well Some others see a coincidence between the change of leadership at UNCTAD, its decline and the Fund being relegated to the background A senior negotiator argues that UNCTAD virtually lost interest in Common Fund to the extent that while addressing the Group of 77 in 1987 at Havana the UNCTAD secretary general did not even refer to the Fund while president Mitterrand of France was enthusiastic about the Fund Some others, having successfully negotiated it, would like to see it function well but are far from optimistic about it It would seem as though the Fund is born a decade too late with a billion dollars too short

Trends of Change in Indian Society since Independence

A R Desai

The trends of social change in India in the last forty years can be understood properly only if they are seen as a consequence of the specific path of development pursued by the rulers

RAJIV GANDHI and his (ever changing) team are proclaiming, through their massive and expanding TV and radio network that during the remaining 15 years of the 20th century a face lift will be given to Indian society by ushering in changes of a far reaching nature through economic policies technological thrusts educational and cultural programmes as well as by making governance clean and efficient This promise of a face lift is described as ushering Indian society within a decade and half into a computer liser ice founded on high productivity and efficient and clean management

The Rajiv regime has also proclaimed that it is generating specific trends of change in Indian society by making drastic alterations in the ethos of the Seventh and the subsequent Five Year Plans It has announced that to accelerate high technology production transport and services and to lift the productivity of Indian economy polity education and administration to qualitatively higher planes far reaching measures are being adopted in various fields Similarly it also promises that with a view to removing the poverty of the vast mass of Indian people living below the miserably low poverty line accepted by the rulers a poverty removal programme is being launched to counteract the after effects of the policies pursued up to now which have generated grave problems in terms of widening the gap between the beneficiaries of the plans and those who are more and more adversely affected by their operations

With a view to stimulating an optimistic forward looking and cheerful atmosphere and a mood permeated with the scientific temper among the people Rajiv Gandhi has launched a highly expensive series of festivals and cultural extravaganza both in India and abroad in France the US West Germany Russia Japan etc Also spectacular displays to mark Forty Years of Freedom in the form of tableau processions by film stars sports heroes and others culminating with Rajiv Gandhi and his wife heading the spectacle

Similarly with a view to evoking Indian—i e upper caste Hindu—pride and appealing to their spiritual ethos massive displays extolling what is described as our great spiritual heritage are undertaken These take the form of publicising temples religious festivals and melas pujas and yagnas and holding exhibitions of art dance and sculpture architecture This propaganda is now being carried out on a scale which transcends all such endeavours even by the late Indira Gandhi

More than four years passed since the Rajiv regime began to introduce various programmes to prepare Indian society for a take off to prosperity in the 21st century The Seventh Plan has completed four years of its operation and a mid term appraisal of the plan was undertaken Preparation for the Eighth Plan is under way However, the mid term appraisal of the Seventh Plan conducted officially does not confirm the rosy picture of the inauguration of a march towards efficient more productive equitable and socially just socio economic and politico cultural development publicised by the Rajiv regime

The four years of the Rajiv regime and its programmes in different spheres have hardly been even according to official and other appraisal path breaking as proclaimed by the rulers Instead they reveal merely a continuance of the basic alarming trends generated by the policies adopted by earlier regimes since independence In fact they reveal that the programmes espoused by Rajiv regime have in a short period of three or four years accelerated these alarming trends The measures adopted by the Rajiv regime have exhibited their pro rich pro propertied anti poor and anti toiler orientations more openly and more ruthlessly than those of the earlier regimes

With a view to properly assessing the transformation that is taking place under the Rajiv regime it is necessary at the outset to grasp the fact that the Rajiv regime is pursuing with greater tenacity (as suited to the changed circumstances) the path followed by the rulers since independence viz the capitalist path of development This path was chalked out in the Constitution as well as in the plans and policies of the government right from independence The trends of change in Indian society and the profile of Indian society that is being contoured can be grasped in their essential features only if we trace them basically to the capitalist path of development pursued by the rulers

I have pointed in several of my studies with evidence from the Constitution (with all the modifications in it since its formulation) from the principles guiding planning, from the operation of the economic educational politico administrative and legal judicial measures adopted by the rulers that they have from the inception of independence in fact from the process of framing the Constitution chosen the capitalist path of development I emphasise the need to realise that the path pursued is capitalist for a number of reasons

First it alone helps us to make a clear formulation of the type of socio economic formation which is being evolved from 1947 and which continues during Rajiv regime Second it is necessary to grasp that the path pursued is capitalist because both the rulers and the overwhelming section of the intelligentsia still try to propagate the myth that Indian development is attempted to be moulded on non capitalist lines or some variant of the socialistic or the Gandhian pattern Third the rulers as well as their ideologues comprising administrators policy makers and a majority of academics and researchers create a myth that the Indian state is a supra class welfare agency operating, as or capable of operating as a gigantic funnel which endeavours or is capable of endeavouring to transfer resources and purchasing power from the higher to the lower income and the no income groups in society even though it operates within the matrix of production for the market and for profit relying on the proprietary classes as crucial agents of growth and development Fourth the rulers and the ideologues supporting the path pursued by the rulers want to hide the basic fact that resource generation and allocation by planning is contoured by the major premise of the development strategy that the private owners of the means of production are to be treated as the major agents of growth and development and that only within the limits of class inequality implicit in this can the state endeavour to redistribute income to the non owning classes The state is encouraging the acquisition of the lion's share of resources both extant and to be generated by the property owning classes This is done by permitting them to augment their wealth through interest rents and profits or through gigantic direct and indirect assistance given by the state in the form of loans subsidies tax concessions and administered prices or by the state shouldering the responsibility of providing expensive infrastructural facilities of making available inputs and of ensuring markets for final products Finally refusal to recognise that the path pursued by India since independence is the capitalist path helps the rulers and their intellectual supporters to create an illusion of all round progress and development through the massive and expanding media for communication and propaganda The limited luxury and armament led growth strategy adopted

since the beginning of the eighties and pursued with greater zeal and openness during the years of the Rajiv regime is sought to be depicted as beneficial to all sections of society and is likely to lead to poverty removal and upliftment of the vast sections of the toiling poor

A few incisive scholars have pointed out the basic features of this luxury and armament led growth strategy This strategy involves the state providing enormous facilities to the private sector by adopting what is called the liberalisation policy as well as by actively cutting out a small enclave provided with more purchasing power and inducements to purchase luxury goods produced by the private sector The provision of purchasing power to this special enclave is achieved by adopting measures like raising salaries and perquisites of selected strata engaged in services trade and manufacturing by schemes of tax exemption and tax reductions by policies of public borrowing at exceedingly high rates of interest by pumping sizeable amount of public money via loans at subsidised interest rates to promote markets for luxury goods Some sensitive observers have also pointed out how this armament and luxury led growth strategy by pumping purchasing power into a limited enclave is leading the state into a deficit trap with large foreign and internal borrowings and other categories of financial liabilities on which the payment of interest and repayment of principal is becoming almost an unresolvable dilemma confronting the rulers

I have emphasised the need to recognise the path of development pursued by the rulers as the capitalist path because during last forty years certain critical consistent trends of change in Indian society are taking place which cannot be explained in any other terms Nor can one explain the process of social transformation generated since independence

All of us are aware that the objective of the rulers of independent India has been to transform the poor backward and underdeveloped social order left by the British rulers into a prosperous independent developed modern society based on technologically efficient industrial agrarian and service sectors The path adopted to realise this objective has been planning We already have the experience of a series of plans with their erratic unfoldment The first three five year plans were followed by three years of plan holiday which were followed by the Fourth Plan and a stormy Fifth Plan We then witnessed the shortened Sixth Plan formulated by the Janata regime characterised as the Rolling Plan, and the reformulation by the Indira regime of the Sixth Plan We have also experienced the operation of the Seventh Plan with its proclaimed new thrust to generate social processes which will prepare the Indian people for the technological modernisation of the economy and society as they enter the 21st century

Every five year plan has been commended in different flamboyant terms Some were hailed as plans to evolve the socialistic pattern of society Some were described as instruments for ushering in 'growth with social justice' At a later stage they were considered effective instruments for 'garibhi hatao In the short post emergency spell of Janata rule it was proclaimed that the five year plan being evolved by that regime would usher in a society based on the Gandhian principle of Sarvodaya a path considered to be different from the Nehruite concept of development The subsequent plans formulated under the Indira regime and modified during the Rajiv regime have been characterised as plans to develop a strong and independent India with garibhi hatao as one of the main planks Subsequently the emphasis shifted in favour of a liberal dispensation in terms of providing open incentives and facilities to the private sector and streamlining and cutting to size the public sector to make for efficient productive profit earning and technological modernisation In spite of the high sounding goals proclaimed by the rulers for the various plans the overall trends of social transformation which in spite of minor zigzags reveal a certain constancy during the last forty years From mid seventies and particularly during the eighties and much more during the last four years of the Rajiv Gandhi regime these social processes and trends of social transformations have been accelerating at an alarming pace

These social trends can be broadly summed up as follows

(1) India has remained one of the poorest countries in the world both in terms of GNP and per capita income even after forty years of development

(2) Within this overall picture the inequalities of wealth and income distribution are increasing Gradual enrichment of the capitalist class comprising industrial commercial and financial groups a segment of the rural rich comprising of landlords operating in a new setting kulaks and rich farmers and a section of the higher echelons of professionals and employees connected with the rapidly expanding service sector B V Krishnamurti described this sector as the U sector

(3) Further within this sector keen competition to capture markets and gain control of government facilities and assistance is resulting in further asset and income concentration in the hands of smaller and smaller groups As pointed out earlier this process of asset and income concentration has been accelerated by the new policies adopted by the Rajiv regime which has been rightly described as armament, defence and luxury led growth

(4) The state faced with greater and greater difficulties in mobilising resources in the context of its policy of assisting the rich tends to use a variety of measures to throw greater burdens on the common people. This is done for pumping out more resources to be placed at the service of the newly emerging propertied classes considered as agents of growth and development Deficit financing, increasing resort to borrowings, both internal and external, greater and greater reliance on indirect taxation, making public sector facilities more and more costly and economising by lowering the quality and quantity of public sector products and services are some of the important measures adopted by the state pursuing the capitalist path of development

(5) One of the significant trends generated of late is the result of a policy deliberately adopted to transform and streamline the organised sector in the name of efficiency higher productivity and greater profit This policy is resulting in a sizeable segment of industrial and service units falling sick or closing down This causes tragic social consequences Thousands and lakhs of workers lose their jobs or now work under conditions wherein their security benefits and other perquisites and facilities are set aside Workers and employees affected by such measures are placed in a situation where they are underpaid overexploited and forced to work under insecure unprotected and hazardous conditions at their work places These insecure unprotected conditions of work are glorified by the government as the income generating labour absorbing informal sector

This shift from secure stable and legally protected work in the organised sector to the proliferating informal sector has as brought out by a number of studies had a very devastating impact on women dalits the tribal populations petty craftsmen agricultural workers and other segments of the poor and propertyless population

The operators of the informal sector including the government use the helplessness of the employees to foment caste communal linguistic and gender tensions in the course of selectively employing them or providing loans or other facilities The emergence of a chain of contractors middlemen musclemen as well as other categories of intermediaries to recruit regulate discipline and even terrorise the employees who demand some relief or attempt to unionise is another important social process with the expansion of the informal sector

(6) Another trend generated particularly after the completion of the Second Plan is to make the public sector increasingly subservient to the U sector helping to strengthen and augment its economic political social and ideological hold over society

(7) The number of the unemployed and the under employed reaching staggering dimensions is another social trend which has developed since independence, particularly after the Second Plan The growth of the unemployed and the under-employed and its differential impact on different castes and linguistic, regional and religious groups and on adivasis and women is generating fierce competition among these groups and sections within these groups This has resulted

in a social process of ever increasing violent internecine clashes for procuring minimal survival needs as well as for securing limited jobs and services The employing classes utilise the situation to promote various types of organised and unorganised criminal processes for their gains and to keep these strata divided and increasingly prone to internecine struggles The accentuation of unemployment and under employment reveals how the path pursued by the rulers—development by betting on the rich —is unable to utilise the vast human resources available and crying to be used productively and for economically gainful purposes

(8) Another process generated since independence and continuing is the process of pauperisation and proletarianisation of the vast majority of the population

(9) The above mentioned processes in the context of the rapidly growing market and money matrix have trapped more and more people in the coils of the market which are being elaborated systematically by the rulers pursuing the capitalist path This market net comprises a bizarre and corrupt network of ration shops fair price shops open markets and black markets This complex and corrupt constellation operates as a strangulating noose around the vast mass of common humanity hurling them into an eddy of insecurity and forcing them to indulge in various illegal and criminal activities even for bare survival as human beings

This constellation also provides an excellent venue to reap enormous gains and illegal earnings at various levels by suppliers of commodities and services generating an unholy complex of profiteers and the law enforcing authorities breeding corruption and illegality all the way from the smallest market unit to the national and international commercial and trade complexes

This social trend is becoming stronger and more widespread with the passage of time as plans based on pursuit of the capitalist path have unfolded themselves in the last forty years During the four years of the Rajiv regime, against the background of its liberal policy of supporting the private sector and its emphasis on industrialisation based on capital intensive sophisticated technology this social trend has been aggravating at an alarming rate with its frightening consequences in terms of prices soaring higher corruption growing at exponential rate and inflationary trends acquiring an unprecedented tempo

(10) The policies pursued to develop and modernise society by adopting the capitalist path, against the background of a labour surplus situation, are resulting in deterioration of the condition of the overwhelming majority of women, scheduled castes and scheduled tribes They have also resulted in the acceleration of regional disparities

(11) Another trend which is acquiring alarming proportions is the corrupt liaison between the political machinery, business and the emerging lumpen strata in society This liaison has assumed such brazen forms that the political, economic and socio cultural processes themselves have become highly criminalised authoritarian and corrupt

(12) The vast mass of workers, peasants and other categories of the exploited oppressed and poor people who made immense sacrifices and contributed substantially to the anti imperialist struggle expected that freedom would at least ensure them security of jobs adequate purchasing power in the ever expanding market economy availability of essentials necessary for dignified existence provision of minimum needs in the form of education and medical facilities and removal of caste communal ethnic class gender and linguistic discrimination exploitation and oppression They expected to have more active participation in vital affairs concerning the Indian people The consequences of government policies based on the pursuit of the capitalist path slowly generated a sense of disillusionment and discontent among the people The illusion of growth resulting in trickling down of benefits to the poor was getting shattered The discontent required greater potency and articulation after the mid sixties The decade of the seventies intensified the feeling of discontent and disillusionment and became a decade of growing protests and struggles by the exploited petty proprietary and non proprietary classes both in the urban and rural areas The decade of the eighties has almost turned into an epoch of explosive outbursts with the struggles of the people acquiring massive dimensions and taking resort to more and more militant forms

The rulers are resorting to increasing use of extraordinary anti democratic laws and are launching repression of a more and more brutal nature This is mainly to contain and suppress the accelerating protest movements and crush the organisations spearheading and building up such movements even if they be for very elementary demands like access to jobs security of services humane conditions of work in work places cheaper and hygienic shelters and medical facilities supply of at least the basic wage goods at reasonable and fixed prices and universal and free education and other means of acquiring knowledge In fact the state is itself actively involved in the non implementation of laws already passed like those dealing with untouchability the prohibition of exploitation of child labour minimum wages and protection of women The rulers are increasingly resorting to the perfidious practice of sponsoring and supporting trends which would generate internecine conflicts among the oppressed to prevent the masses from being unified for their main struggles As pointed out by Upendra Baxi in his *Crisis of Indian Legal System*, the rulers are the most significant violators of laws enacted in the country They are resorting to massive operations to suppress the movements of the people in the name of maintaining 'law and order' and counteracting the forces which, according to them, are threatening national integration From 1968 a spate of repressive legislation in the form of draconic ordinances and enactments have been resorted to by the rulers Similarly more and more ruthless and complex forms of repressive operations in the form of arrests and detention without trial, increasing atrocities by the police the semi military police formations and even the army itself including resort to murders masked as encounter deaths These repressive operations have been highlighted by democratic rights organisations by a number of fact finding committees as well as a growing body of reports and accounts of the organisations conducting the struggle of the people

During the last four years of the Rajiv regime this anti democratic and authoritarian trend of repression has gathered momentum threatening to transform the last decade of the 20th century into a decade of explosive struggles by different strata of Indian poor on the one hand and emergence of a highly authoritarian criminalised corrupt and pro propertied regime on the other This will place the people under an iron fist couched in a velvet glove of promises of a take off to a prosperous modern society into which the Indian people would supposedly enter with the beginning of the 21st century

The trends of overall change in the last forty years indicated above can be grasped properly only if they are understood as a consequence of the specific path of development pursued by the rulers Genuine improvement in the condition of the toiling people and their active participation are possible only if endeavours are made to generate and assist social processes which would break the shackles of the present capitalist path being pursued by the rulers of India

Forthcoming

Political Transition in South Asia
Regional Cooperation, Ethnic Conflict and Political Participation

by
Dagmar Bernstorff
Dieter Braun

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External Resources and Self-Reliant Growth

Arun Ghosh

Foreign Money in India by B P Mathur, Macmillan India, 1989, pp 281, Rs 120

B P MATHUR exemplifies the rare breed of civil servants capable of independent thinking and sustained scholarly analysis additionally, he has demonstrated the strength of character required to pursue research investigations and studies in the face of enormous practical difficulties and at considerable personal cost

The subject he has chosen is a controversial one, for he has dared to take up cudgels against the accepted theory of development against the extant policies and philosophy of the government of India against the superficially obvious advantage of external finance for bridging the gap between the needs of domestic investment and the availability of domestic saving so as to speed up the growth of the economy And having reached the conclusion that external finance—in the manner it is available is detrimental to the long term interest of the recipient country, having had the benefit of observing why this happens as a player in the game within the government he has shown enormous tenacity of purpose in piecing together all available data to prove his point that foreign funds in the form and manner available to developing countries help only to sustain the exports of the capital exporting countries to the detriment of the recipient countries And even though some of his conclusions are not backed by data but only by logic, he has hit up on a cardinal truth—that self reliance calls for the mobilisation of internal effort and resources for which there is no substitute, that exceptions to this golden rule pace assistance under the Marshall Plan to post war western Europe, do not provide evidence of the unimportance of domestic mobilisation and that the flow of external resources today is primarily motivated by the self interest of the capital exporting countries rather than by pure altruism (leaving out a few notable exceptions) Mathur has been able to collect evidence on two important areas of the flow of external funds one US food aid under PL 480, and the other, the net balance of external payments insofar as India is concerned, arising from foreign investment in India

There has been considerable debate among researchers in the past on the precise impact on Indian agricultural growth of the availability of concessional foodgrains from the US under PL 480 It is not either necessary or relevant to go into details of that controversy here, for Mathur has approached the problem from a wholly new angle what impact did the export of agricultural products (at concessional prices) under PL 480 have on the US? And in this context Mathur has been able to demonstrate (a) that the real value of the supplies under PL 480 was no more than the concessional price charged by the US for these exports (b) that these exports were able to sustain incomes and (agricultural) production in the US which would otherwise have seen a collapse of the type witnessed during the Great Depression of the thirties (c) that as a result of PL 480 exports the US was able to *increase* its share of agricultural exports in the world over a longer period so much so that many developing countries having got used to imports under PL 480 became commercial importers (of agricultural commodities) from the US to the exclusion of other exporting countries and (d) that the rapid increase in agricultural productivity in the US in the post war period was due in no small measure to the price (and income) support provided through the mechanism of PL 480 by offloading burden some surpluses of the US In the absence of PL 480 the Commodity Credit Corporation would not have been able to sustain the price support provided to US agricultural producers Indeed so telling has been the marshalling of data by Mathur that one finds that the US —a marginal producer of rice has of late become a major rice exporter in the world (on commercial terms) to the exclusion of the traditional rice exporting countries of south-east Asia This is primarily because PL 480 enabled the US to maintain stability of export prices which shifted the market away from the traditional exporters the availability of concessional imports also encouraged many importing countries to switch their import pattern and once this had been achieved, commercial imports continued from this newly established source of supply

For wheat wherein productivity gains have been startling in the US, PL 480 gave an adequacy of total world demand (for US supplies) which provided the main stimulus for increased production, the real pay-off coming later with the very large demand for wheat as animal feed from the USSR But, quite apart from the gain to the US, the general atmosphere of availability of supposedly concessional supply of wheat from the US induced in many developing countries an atmosphere of smugness which militated against growth of production in these countries This latter effect has been established by many scholars insofar as the Indian experience is concerned

Mathur's other detailed inquiry pertains to the balance of payments effect of foreign investment and foreign collaboration in India In this part of his analysis there are admittedly some flaws Mathur has correctly analysed the generally pernicious role of transnational corporations but his analysis of the impact of foreign investment and foreign technical know how import is only partially valid It is certainly correct to state that the primary objective of a transnational corporation is to maximise global profits, and because of divergent tax rates in different host countries there is widespread practice of manipulative transfer pricing with the result that most developing countries at least those that seek to raise resources for development through direct taxation—are left with a negative balance of payments impact arising from the operations of transnational companies It is also correct to state that by and large such companies bring in little by way of investment funds they tend to capitalise know how fees, royalty, and sale of capital goods (at inflated prices) and they take advantage of a protected market for palming off outmoded technology

All this is well known Mathur has cited the example of the multinational drug companies whose record of exploitation of developing countries has been analysed by many authorities and scholars in the past In fact even other than drug companies the record of foreign companies in India has been somewhat dismal generally For example even *100 per cent foreign owned companies* like Goodyear and Firestone debited their Indian subsidiary companies for technical know how obtained from the head quarters even though it later transpired that—certainly for Firestone—both the

TABLE GROSS PROFIT AS A PERCENTAGE OF CAPITAL EMPLOYED

	1977 78	1978 79	1979 80	1980 81	Average
1 Subsidiaries of foreign companies	17 9	17 3	17 3	14 8	16 8
2 Minority participation foreign companies	11 9	12 1	12 6	11 8	12 3
3 Foreign controlled rupee companies (313 companies)	15 4	16 2	16 2	14 7	15 6
4 Indian controlled companies (2 438 companies)	9 6	10 2	11 4	11 1	10 6

equipment and know-how used by them (in India) were outmoded, inefficient and high cost In fact, the remittance of such payment for know how goes directly counter to the claim of protagonists of foreign investment that the inflow of foreign funds in the form of equity is cheaper than foreign borrowing because the former involves risk capital In the instant case cited there was not only no risk (in a protected market) there was a wholly unwarranted payment for technical know how by a subsidiary of a wholly owned foreign company

Mathur is also correct in evaluating the latest changes in the Foreign Exchange Regulations Act (FERA) as entirely counter productive The requirement to reduce foreign equity in non Appendix I industries to 40 per cent at the same time conferring on them a status at par with wholly Indian companies —thereby allowing them all facilities for expansion and diversification — has in fact resulted in increasing payments (and repatriation) of dividends abroad and at the same time keeping control over the companies in foreign hands

Although Mathur is correct in highlighting the historical necessity for capital to seek investment opportunities abroad as stated earlier he is set only partially correct in this part of his analysis In the first place one cannot one should not rule out the flow of foreign technology This is not to say that our present technology import policy cannot be faulted, in fact of late our policy in this regard has in many ways been both unplanned and erratic and e have not paid adequate attention to the problem of developing our capability to absorb adapt and develop imported technology without which the import of technology has no long term positive results

Mathur s focus is of course different he is only highlighting the net balance of payments impact of the import of foreign capital and foreign technology Even here however it would be incorrect to include payments for royalty and technical know how in the aggregate receipts and payments in regard to foreign capital since know how payments are largely made by wholly Indian firms whose net balance in regard to external payments we are not able to isolate Even though Mathur has shown all three types of remittances separately—namely the net outflow in respect of subsidiaries of foreign companies of minority participation companies, and purely technical collaboration companies—the net payments balance in respect of the last mentioned group is added to derive the overall share of these three in the current account payments deficit This procedure is not warranted

Nonetheless, even if we were to remove the outflow of foreign exchange in respect of royalty and technical know how fees the net payments balance of subsidiaries of foreign companies and minority participation foreign companies would account for 26 per cent of the overall balance of payments deficit of the country on current account during the decade 1960-1961 to 1969-70 If one were to consider only the last year, namely, 1969 70 these companies would account for as much as 92 per cent of the overall current account deficit in the balance of payments of the country that year Unless one is to presume that the contribution of these companies to India's overall economic growth has been outstanding—and there is no reason to make this supposition—it would be seen that notwithstanding the earlier restrictions on foreign investment imposed since the early years of planning (prior to the introduction of FERA, 1974) foreign investment has proved to be a significant net drain on the Indian economy

Mathur s analysis does not extend to the post 1974 FERA period However judging from the figures of profitability of foreign controlled and minority participation foreign companies relative to the profitability of purely Indian companies over 1977 78 to 1980-81 one may reasonably surmise that in spite of FERA —may be because of it —the net balance of payments impact of the former has if anything worsened The figures of profitability of different types of companies cited by Mathur are worth reproducing here (see the Table)

One has to add that these are balance sheet figures Profits earned through manipulative transfer pricing (by foreign controlled companies) are not part of the profits shown above In the latter context Mathur has quoted a study by a US economist (Roland Muller) to suggest that the dictates of global profit maximisation would lead one to expect underpricing of exports averaging 40 to 60 per cent and overpricing of imports ranging anywhere between 20 per cent and 8 000 per cent In many cases the transactions involve a triangular trade being routed through a holding subsidiary located in an offshore tax haven such a Panama or Monaco

What lessons emerge from Mathur s painstaking study? The conclusion is inescapable that there is no quick short cut to development that the path to self reliance calls for discipline strength of purpose and the will the determination to make the sacrifices necessary to increase the rate of saving in the economy and to apply all available resources for the overall national good That in turn requires certain domestic policies which need not detain us for the present But heavy dependence on external finance has its own booby traps That is not to say that a country must become isolationist But the effort calls for first and foremost development of the capabilities of the people of the country and that in turn requires care and discrimination in regard to dependence on external support External finance - especially external finance which is superficially and deceptively easy and cheap but which has its own insidious effects in the longer run—can sap the will of developing countries to make the effort required to achieve self sustaining growth This is also emphasised by Mathur when he says (with Swamy Vivekananda) that 'nations like individuals must help themselves"

B P Mathur's analysis of three sub-sets of the problem of foreign funding—the rationale and impact of US assistance under PL 480 especially for promoting US exports the activities of foreign drug companies in India and the net balance of payment impact of foreign companies (both wholly owned and minority participation) in India—is a valuable contribution to the existing literature on the subject of foreign finance as a means of bridging the gap between domestic investment and savings in developing countries

How Pakistan Can Break-Up Again.

By Varun Dhavlal

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Overlooking the Essentials

Padmini Swaminathan

The Voice of Enterprise 150 Years of the Madras Chamber of Commerce and Industry by R Tirumalai, Macmillan India Ltd, 1986, pp 464 + xxii, Rs 150 00

THE book under review purports to chart out a definitive history of the Chamber against the background of the economic growth and development of the southern region The author has divided the stretch of 150 years into four periods first from 1836 to 1900—the period of the formation of the Chamber and its intense activity for creating the infrastructure second the period 1900-1920—the period of the reforms and the Chamber s reactions which the author characterises as a 'revolutionary phase in its history third 1920 1950 characterised by a transition from a colonial administration to the constitutional set up of free India and fourth 1950 to 1986—the era of modern industrial growth and commercial extension

The author views his work as being set against a broader canvas – not a mere in house history of the Madras Chamber but one encompassing the growth and development of commerce and industry in their several facets in the Madras Presidency (as it then was) and later in Tamil Nadu state The activities of the Madras Chamber are sought to be superimposed on this canvas ("It can hence have a wider appeal to the general public interested in aspects of the economic history and the industrial evolution of the region)

The composition of the Madras Chamber (almost up to 1950) is revealing Unlike the Calcutta Chamber and the Bombay Chamber which had a fair sprinkling of Indian merchant houses in the Madras Chamber however, of the eighteen founding members only two were Indians The number decreased to one in 1917 In the centenary year (1936) it still had only two Indian members (p 31) Even in 1955 although the majority of the members were firms in which British capital had predominated, most of them were rupee companies with Indian investments (p 322)

The significant contributions made by the Chamber to the creation of infrastructure has been elaborately described – the organisation of postal and telegraph services the building of the Madras harbour and the extension of railway lines Besides, the Chamber articulated its standpoint and pressed for a number of reforms with regard to legislation concerning direct and indirect taxes, import and export duties, currency and exchange, banking labour legislation, local and judicial administration

What is conspicuous by its absence is a critical examination of the facts The book displays an inability to go beyond mere description and probe, if not at least hypothesise, what motivated the Chamber to go in for particular kinds of activities, particular decisions, particular standpoints etc, at various junctures in the course of its long history Meticulous attention to details concerning taxation, infrastructural facilities and the like has been achieved The book however, overlooks, almost completely the intense debates that took place at specific points of time over certain issues a discussion of which would have shown the Chamber in its true colours

At various points in the book one does come across statements such as

(a) The Chamber objected to an Indian succeeding a European collector of income tax (p 66)

(b) The Chamber was intent on retaining the original jurisdiction of the Madras High Court unabridged ostensibly because international commercial and mercantile laws had to be applied but underlying that was the antipathy to Indian judges and magistrates hearing cases involving the Europeans and the foreign firms (p 84)

Such passing statements conceal not only the lengthy debates that took place, but more important fail to convey the whole ethos of the period in question For example, the subject of the industries carried on in jails with special reference to their competition with similar industries carried on by private enterprise, was a bone of contention between the Chamber and the government right from 1880s to the 1930s so much so that even the Conference of Chambers of Commerce of the Empire held at Sydney in 1909 passed a resolution in these terms

> Whereas private enterprises has the right to be protected against the competition of articles manufactured by convict labour at an artificially lowered cost of production and whereas there are indications of a tendency in certain parts of the Empire to develop the commercial element of jail labour to the injury of private manufacturers this Congress approves the principle that the produce of jail manufacture shall be used in government service only but in no case should power machinery be employed in jails for the production of articles of trade.[1]

The colonial government's disagreement with the Chamber on the whole issue was spelt out in no uncertain terms

> the commercial community in general appears to hold the opinion that as soon as an individual is placed in jail his labour would be lost to the country and he is no longer entitled to earn his living There is a large prison population for which some suitable labour must be found, and I consider that the ordinary tax payer may reasonably expect that the labour shall be as far as possible remunerative, and that the prison population should be to some extent self supporting, and this cannot be done without some interference with private enterprise The whole truth of the matter is that Messrs Binny and Company consider that they have a grievance against this jail (Central Jail Coimbatore) because we have taken up several government contracts which I believe, used to be in their hands Whether we are justified in taking up government work is a matter of opinion upon which the jail department and private firms are not likely to agree I maintain that government is justified in using prison labour for meeting the requirements of its own labour[2]

The Chamber's opposition to the efforts of the Madras government to foster indigenous industries and in helping in the development of new industries and demonstrating their commercial viability has received a slightly more elaborate treatment (pages 118 120) But nowhere does the book capture the acrimonious tone of the debates between the Chamber and the government and between the Chamber and Indian merchant/educated classes For instance decrying the attitude of the Chamber of Commerce, Madras towards government involvement in the chrome tanning industry Chatterton (an official in the Madras government) stated vehemently

> It seems to me obvious that from the strong opposition offered by the Chamber of Commerce and from the European mercantile community to the policy of government assisting in the development of new industries they fear that the fostering of indigenous industries will place Madras in the same position as Bombay and that the Indians will gradually acquire a commanding position in the mercantile and manufacturing industries of the Presidency This I submit is eminently desirable It seems to me impossible that the present state of things should be allowed to continue indefinitely In the past the European mercantile community have displayed no great amount of energy and ability in building up the industries of the Presidency and there is less hope in the future that they will be able to achieve a better result There is I have reason to believe a good deal of Indian capital seeking investment and there is undoubtedly an ever increasing number of youths turned out by our university system for whom it is difficult to find employment suited to their education and capacity for work Mr Chambers (of the Madras Chamber of Commerce) complains in regard to training that men of the required character and knowledge are not obtainable and yet he would have the government tannery in which such men are being trained shut down Only a few years ago the Chamber of Commerce advocated a *laissez faire* policy Now that it has been demonstrated that something can be done and that some practical results have been achieved, they say we are going too far and all that is necessary is to establish technical

institutions for the training of workmen for non-existent industries[3]

Such references do not find a place even in the bibliography

It is here that the composition of the Chamber, the anxiety of its members to safeguard their interests against mounting opposition becomes relevant The book is also silent about the formation of the nationalist business organisation the South India Chamber of Commerce and the hostile attitude of the European business community to the former

It is not just a question of the author's perception versus the reviewer's since throughout, the history of the Chamber is recorded with practically no allusion to the growing politicisation and conflict within the private corporate sector particularly since the 1920s as reflected in the emergence of rival all India unions of British and Indian commercial interests Again insofar as post independence India is concerned while the Chamber's contribution along with/through ASSOCHAM is mentioned the formation of the FICCI the relationship between FICCI and ASSOCHAM and the recent turmoil that shook these all India organisations do not receive even a passing reference in a work that calls itself a 'history of commerce and industry

The organisation of the book makes reading very tedious Further the periodisation does not make it any easier to pinpoint the significant achievements/contributions of the Chamber in any particular period The tone of the chapter 'The Future Perspective Projections and Role of the Chamber' is almost pontifical inasmuch as the author sets out the tasks that he thinks the Chamber should be undertaking such as assisting institutions like SIPCOT SIDCO TIIC and the like in formulating industrywise programmes for growth and expansion collection of statistical data licensing data and other relevant documentation primary information on industry and commerce and in the provision of a good well-stocked library, etc, etc. Precisely because it was never intended to be a critical study the author refrains from asking why an institution of 150 years standing has not done all this and much more. Unless questions such as these are raised and examined the constraints (political and otherwise) under which institutions such as the Chamber function will never become debatable public issues The best service the Chamber could have done to itself and to society was to have commissioned a self-evaluative rather than a self adulatory study of its existence these last 150 years

Notes

1 Government of Madras GO No 1097 July 21, 1919, Judicial Department

2 Government of Madras, GO No 1814, October 21, 1907 Judicial Department

3 Government of Madras, GO No 641 October 6, 1908 Revenue Department

FORM II A

THE MRTP ACT, 1969

[See Rule 4 A (1)]

Form of general notice to be given to the members of the public before making an application to the Central Government under sub Section (2) of Section [illegible] of the Monopolies and Restrictive Trade Practices Act 1969

NOTICE

It is hereby [illegible] for the information of the public that INDOFIL CHEMICALS COMPANY A DIVISION OF MODIPON LIMITED Nirlon House Dr Annie Besant Road [illegible] Bombay 400 025 proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under sub section [illegible] of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the [illegible] of a new unit Brief particulars of the proposal are as under

1 Name and address of the applicant — INDOFIL CHEMICALS COMPANY A Division of Modipon Limited [illegible] House Dr Annie Besant Road BOMBAY 400 [illegible] [illegible]

2 Capital [illegible] of the [illegible] organisation Authorised [illegible] Issued [illegible] paid up — [illegible]

3 Management [illegible] of the applicant [illegible] the names of Directors [illegible] Managing Director and Manager [illegible] — The [illegible] Board [illegible] Mr [illegible] Mr M K Modi [illegible] Managing Director [illegible] Mr [illegible] Mr A L Modi [illegible] Mr Prabhat [illegible] Mr [illegible]

4 [illegible] — Nil

5 [illegible] — [illegible]

6 [illegible] of the proposal and [illegible] — The [illegible]

7 In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles indicate I Names of goods/articles — [illegible] II Proposed capacities — [illegible] MT [illegible] III Estimated annual turnover — [illegible]

8 In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value, income, turnover etc — Not applicable

9 Cost of the project — [illegible]

10 Scheme of finance indicating the amounts to be raised from each source — Internal [illegible]

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

Sd
I K GUPTA
SECRETARY

Dated this Fourteenth day of August 1989

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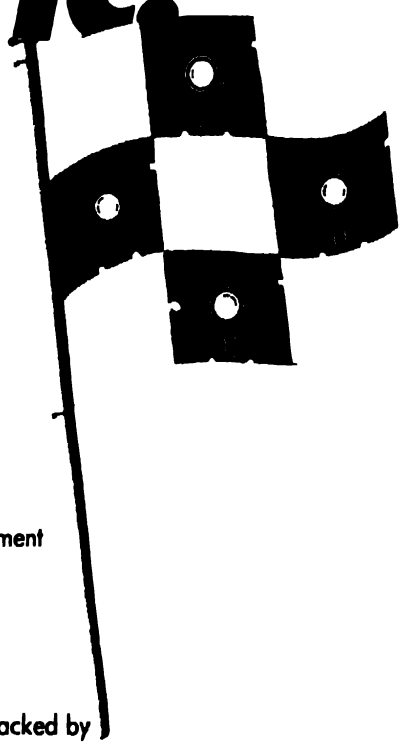

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Land Reforms Legislation in Karnataka

Myth of Success

C B Damle

A fundamental lacuna in most assessments of the impact of tenancy legislations in Karnataka is that they ignore the size of tenants as a class in the agrarian social structure on the eve of framing of the 1961 Tenancy Act An attempt is made here to trace the gravity of the problem of tenancy in Karnataka that existed at the time of reorganisation of states in 1956 The analysis is extended to identify the effect of the tenancy legislation in changing the agrarian structure

THE evaluations of the implementation of tenancy legislation in Karnataka without taking stock of the extent of tenancy in pre land reforms [illegible] show complacence over the rate of implementation of the Tenancy Acts of 1961 and 1974 or have depicted how the benefits have been reaped by the economically well off agrarian sections such as dominant class tenants For some however tenancy was relatively a lesser problem in Karnataka to have any significant impact on its agrarian structure by the implementation of tenancy legislation In fact the political genesis of land reforms as a populist measure and also the role of dominant castes in framing and implementing the legislation have been effectively traced by some studies But the most important lacuna found in all these assessments of the impact of tenancy legislations in Karnataka is that they have ignored the size of tenants as a class in the agrarian social structure on the eve of framing the 1961 Act Hence an attempt is made in this paper to trace the gravity of the problem of tenancy in Karnataka that existed at the time of reorganisation of states in 1956 and on that basis further analysis is done to identify the effect of tenancy legislation in changing the Karnataka agrarian structure

The present Karnataka state has been formed during the linguistic reorganisation of states in 1956 by joining the different Kannada speaking areas of Madras Bombay and Hyderabad states with the Old Mysore and Coorg provinces In all these states there had been different sets of laws governing their respective systems of land tenure tenancy land rent and revenue [1] Since these land legislations were in vogue side by side the new state administration had to face enormous problems while dealing with competing often conflicting interests of various categories associated with cultivable land

Although the tenancy acts passed in different states appeared overtly to be in favour of the tenants they covertly gave enough scope to the landlords to resume the tenanted land for personal cultivation and the latter aptly used the given opportunity to set right the records to their best advantage. So from tenants' point of view, the tenancy legislations which were promulgated to bring progressive changes were no more than mock measures Even the implementation of the Mysore (Personal and Miscellaneous) Inam Abolition Act of 1954 resulted in formalising the [illegible] of overlord upon the tenants [illegible] the state as a super landlord and the erstwhile *inamdars* as the intermediary category of oppressor who paid the tax to the state and was left free to fleece tenants at will whose insecurity was a growing and grave problem Hence the need for integrating the diverse legal and administrative structures relating to land control and utilisation had become urgent in Karnataka But the measures adopted in this direction were neither scientific nor realistic Political expediency compelled the government to go in for the easy way out and to introduce a uniform law for the reorganised Karnataka state by summarily suspending the tenancy acts of Bombay Hyderabad and Madras states with an amendment to the 1952 Mysore Act through an ordinance dated March 11 1957 This amendment allowed all the leases which were supposed to have expired on December 31, 1957 to continue for a further period of five years and later the same were annually extended up to 1965 [3] Thus by a stroke of pen the *status quo* was maintained and almost all the measures providing protection to the tenants in the Karnataka state proved to be temporary because the progressive measures initiated under the Bombay, Madras and Hyderabad Acts were declared nullified

Though the 1961 Land Reforms Act had received assent of the president of the Republic of India on March 5 1962 its implementation actually started on October 2 1965 [4] The main purpose of this act was to provide security to tenants against eviction and to prevent landowners from taking over plots which their tenants had cultivated long The act was also designed to abolish tenancy, ban on further leases, fix fair rents with respect to the then existing leases and to impose ceiling on landholdings so that surplus land could be redistributed among poor cultivators and needy landless agricultural labourers The act also had banned the acquisition of land by anyone except cultivators and agricultural labourers *unless a buyer planned to take-up self-cultivation.*[5]

The implementation of the 1961 Act as a measure of agrarian transformation however, left much to be desired There was a conspicuous delay of eight years in implementing the act (in 1965) which was originally framed by the Jatti Committee in 1957 This delay facilitated mala fide transfers of land under different names Further the act had almost failed to create a lasting impact on transforming the agrarian structure due to the gross misuse of concessions given to widows minors etc to hold ownership over the leased out land and a similar misuse of the provisions granting landlords the right of resumption of land for *personal cultivation*– a phrase which was very loosely defined in the act The exemptions from ceiling were granted to co operatives sugar mills joint farming societies and the like, and these loopholes were fully exploited by the big landowners to escape the application of ceiling legislation Consequently the dominant classes with vested interests in the rural areas got abundant opportunity to use their muscle power for evicting tenants and to manipulate land records whereby the leased out lands were converted overnight into lands under personal cultivation [6] The tenants on the contrary had to claim their rights *vis a vis* their landlords by filing applications before the land tribunals whose procedures were cumbersome and could easily be circumvented In the period following 1968, the tribunal officials were invariably over burdened with work and were intimidated by local politicians who represented vested interests of the dominant class of landowners This shows the lack of political will on the part of politicians who made common cause with the landed interests Thus the 1961 Act had the laudable objectives of transforming the agrarian structure but its provisions were rendered ineffective by the built in loopholes which thwarted that change.[8]

The next leap forward came only in 1974 when the so-called radically amended legislation, the 1974 Act finally abolished all leasing of lands for cultivation (except in cases of soldiers and sailors), it abrogated all the existing leases, abolished the provision for resumption of leased-out land for personal cultivation and imposed a reduced ceiling on the size of landholdings as prescribed by the central guidelines of 1972 However, still the

plantation lands has been exempted because of their importance to the state's economy Further, the act declared that every piece of land which was subject to lease on March 1, 1974, stood vested in the government The tenants were asked to file their declarations before the land tribunals formed under the 1974 amended law It is said that the 1974 Act displayed an intense concern for the interests of the tenants It gave special powers to the tribunals to issue interim orders a temporary injunction addressed to the parties or appoint a receiver to administer the land and that these orders were revocable and alterable under the tribunal's own power The act, however provided for compensation to be paid to the landlords by tenants for this purpose it incorporated the fixation of rent on leased lands to calculate the amount of compensation payable to landlords [9] Because the renewed land reforms attempted to plug the loopholes in the 1961 Act the 1974 Act became the most publicised and progressive measure It promised to acquire and redistribute surplus lands and thereby created hopes of drastic changes in agrarian scenario of Karnataka

The 1974 Act provided the following facilities to the tenants [10]

(i) Repeated extensions of the last date to file declarations for claiming ownership right which was finally extended up to June 30, 1979,

(ii) Exemption of stamp duty on all formal applications and affidavits filed by the tenants,

(iii) Free legal assistance to poor tenants wherever necessary for establishing their claim for ownership

(iv) Consideration of declarations by the tribunals even if details such as clear survey numbers and extent of the tenanted land were not furnished by the tenants

( ) The land tribunals were empowered to issue interim orders to prevent any forcible displacement of tenants, and if necessary to appoint a receiver to administer the land since the tenant was vulnerable to even a temporary interruption of his farm operations

(vi) The compensation to the landowner fixed at minimum rate was made payable in instalments to be deposited in the land development bank Thus the tenant was released from the direct subordination relationship to his erstwhile landlord Subsequently even the remittance of compensation amount has been waived in the cases of tenants below the poverty line (i e, those below Rs 2,000 income per annum),

(vii) After obtaining the ownership rights, however, the tenants were forbidden from selling the plot for at least 15 years

How many tenants were there to enjoy these concessions and privileges granted by 1974 Act? To answer this question, it is necessary to examine the size of the problem of tenancy in Karnataka to have any significant impact on agrarian structure in the state by the implementation of the tenancy legislation [11] As we shall see later in this paper, it is difficult to agree with this view since it tends to distort the actual effects of 1974 Act

The 1974 Act has been considered a very important watershed in the agrarian developments in Karnataka though it was quintessentially an amendment to the 1961 Land Reforms Act because its radical provisions and genuine concern for the tenants had had far reaching consequences for agrarian rela

TABLE 1 DISTRICTWISE DISTRIBUTION OF TENANTS THEIR APPLICATIONS FOR OCCUPANCY RIGHTS AND SUCCESS OF TENANCY LEGISLATION IN KARNATAKA

Sl No	Regions and Districts	No of Tenants in 1957	No of Applications Received from Tenants upto 30 8 1970	No of Tenants in 19 1	Tenancy Applications and Decisions upto August 31 1987		Per Cent Tenants in 1971 to Total Tenants in 1957	Per Cent Tenants Who Applied upto 1979 to Total Tenants in 1957	Percentage of Success	
					No of Applications Received	No of Applications Decided in Favour of Ex tenants	C/A × 100	D/A × 100	E/A × 100	E/D × 100
		A	B	C	D	E	F	G	H	I
I	Coastal Region									
1	Dakshina Kannada	4 90 571	50 923	70 591	1 76 235	1 36 880	14 39	35 92	27 90	77 67
2	Uttara Kannada	1 81 239	52 410	72 456	98 976	80 968	39 98	54 61	44 67	81 80
II	Malnad Region									
3	Chikmagalore	35 154	6 893	7 515	19 533	11 132	21 38	55 56	31 66	57 00
4	Hassan	18 474	6 297	5 769	29 326	13 882	31 23	158 74	75 14	47 33
5	Kodagu	23 071	260	530	3 760	1 052	2 30	16 30	4 56	28 00
6	Shimoga	1 11 780	22 160	31 688	59 568	33 149	28 35	53 29	29 65	55 60
III	Northern Region									
7	Belgaum	2 27 845	29 951	47 511	70 300	51 042	20 85	30 85	22 40	72 60
8	Bidar	32 405	816	2 446	6 091	1 647	7 50	18 80	5 08	27 04
9	Bijapur	1 00 009	14 042	24 353	41 597	24 291	24 35	41 59	24 29	58 40
10	Dharwad	1 42 306	30 752	49 021	60 733	37 407	34 45	42 68	26 28	61 60
11	Gulbarga	86 989	1 468	22 952	61 265	10 933	25 97	70 42	12 56	17 84
12	Raichur	41 179	1 307	8 477	21 754	4 796	20 59	52 83	11 65	22 05
IV	Southern Region									
13	Bangalore	69 302	8 728	12 184	50 626	21 781	17 58	73 05	31 43	43 02
14	Bellary	44 841	648	7 504	18 066	6 618	16 73	40 28	14 76	36 63
15	Chitradurga	33 054	336	2,620	7,452	2 544	7 92	22 54	7 70	34 13
16	Kolar	38 590	1 479	13 078	24 669	12 776	33 89	63 92	33 10	51 79
17	Mandya	20 229	5,000	4 218	14,833	8,282	20 85	73 32	40 94	55 83
18	Mysore	75 646	9,468	9 720	36 692	20 707	12 85	48 50	27 37	56 43
19	Tumkur	40 471	1,997	4,769	14 309	5 532	11 78	35 35	13 67	38 66
	Karnataka State	18,13 154	2 44 955	3,97 402	8 15,785	4 85,419	21 90	45 00	26 77	59 50

Sources Column A *Census of India*, 1961 Vol XI Mysore Part I A, General Report (Chapter X) pp 671
Column B Statement on Land Reforms in Mysore State made in Chief Ministers Conference on Land Reforms held at New Delhi on 26 9 1970 p 13 (taken from Collections of Vidhana Soudha Library, Bangalore)
Column C *Census of Agricultural Holdings in Karnataka 1970-71* (1974)
Column D and E Monthly Report of Land Reforms Progress in the Karnataka state upto the end of August 1987 Prepared by under secretary to government Revenue Department (Land Reforms), Bangalore

[illegible] IN ORISSA AND WEST BENGAL HAVING RURAL AND URBAN [illegible] IMATE 4 MILLION US$ IS LOOKING FOR DYNAMIC COMMITTED [illegible] NDIDATE [illegible] FILL UP STAFF POSITIONS AS FOLLOWS

DEVELOPMENT PLANNER (One Post)

Job description

[illegible] and rain staff at

Qualification

Experience

MANAGEMENT INFORMATION SYSTEM (MIS) EXPERT (One Post)

Job description

[illegible]

Qualification

Experience

WOMEN DEVELOPMENT SPECIALIST (One Post)

Job description

[illegible]

Qualification

Experience

SYSTEMS ANALYST (One Post)

Job description

[illegible] packages towards

Qualifications

Experience

DEPUTY PROGRAMME CO-ORDINATOR (One Post)

Job description

[illegible] make them [illegible] relevant reports and

Qualifications

[illegible]

Experience

FIELD STAFF (10 Posts)

[illegible] to make them

Qualifications

[illegible] Development and or Women Development

Experience

[illegible] rural urban area

[illegible] which will also involve frequent field visits to [illegible] ential

[illegible] motivational and analytical skills are essential Com [illegible]

[illegible] with the poor adaptability to local conditions [illegible] al language and familiarity with English is essential [illegible]

[illegible] relevant experiences to

G PO Box 2313 Calcutta 700 001 by 10 9 1989

[illegible]

tions in rural Karnataka as a whole and in the DK district in particular Also, the evaluative studies of the Karnataka land reforms have focused attention mainly on the implementation of the 1974 Act and have not probed adequately into the latent effects of the 1961 Act, whose formulation had taken four years (1957-1961) and actual implementation took another four years (1962-1965) Daniel Thorner has rightly observed that Karnataka was one among 'the areas of least change' [12] To James Manor three factors explain such an inertia in rural Karnataka [13]

(i) There was low incidence of gross inequalities in the land distribution in Karnataka

(ii) The state had the highest proportions of owner cultivators and the lowest incidence of landless in the sub continent

(iii) The prominence enjoyed in state politics by representatives of the two dominant landowning castes namely the Okkaligas and the Lingayats

It is difficult to accept Manor's first two explanations which have not been adequately justified with evidence He fails to explain the absence of demand for land reforms from below It is necessary to probe the grassroots level factors that prevented the demand from below manifesting itself in agrarian discontent

The third explanation given by Manor however is important The interests of dominant landowning castes were represented in the legislature and safeguarded by bureaucracy which could use pressure tactics in specifying the goals of land reforms (particularly land ceiling) in Karnataka in such a way as to provide built in safeguards for the landowning dominant castes As we shall see later in this paper it was nothing short of a political manipulation that the 1974 Act was projected as a radical legislation with its frontal attack on tenancy In reality however the land leases had been reduced to a great extent (11 2 per cent) in the state except in the two coastal districts of Karnataka Hence, the seemingly revolutionary act had little left to be revolutionalised on the agrarian scene However the 1974 Act practically ignored the issues of landless agricultural labourers and also the work of redistribution of surplus land acquired after the implementation of ceiling legislation so as to benefit the poor sections. As such 'land to the tiller' has remained largely as an empty slogan in Karnataka

To evaluate the impact of the land reforms legislations on the agrarian structure and relations in Karnataka it is necessary at least to assess the following three interdependent aspects

(i) Tenancy legislation 1961 and 1974
(ii) Land ceiling and redistribution of surplus land and
(iii) The impact on agricultural labour

TENANCY LEGISLATION

The main objective of the tenancy legislation was to bestow the ownership rights on tenants on their leaseholdings The underlying rationale was that the tenants were exploited by the absentee landowning class through appropriation of a bulk of the surplus agricultural production and sometimes wholly of it in the form of rent Hence when the tenants were made owners of the same holdings for which they had paid rent so far it was expected not only to eradicate intermediaries but also to generate a class of owner cultivators to augment surplus production for marketing [14] Thus the tenancy legislation if implemented successfully was purported to achieve both social justice and higher production

In Karnataka the implementation of 1974 tenancy legislation has been viewed as very impressive since more than 60 per cent of the tenants in it is claimed have acquired ownership rights on their leased in land Considering the tenancy situation in Belgaum district that the implementation of land reforms is closer to the letter and spirit of law though he comments that in Karnataka the tenants did not yearn for land as much as the tenantry elsewhere in India did [15] However other critics argue that it is the dominant class tenants who have taken the maximum advantage of the tenancy legislation in Karnataka except in the coastal region where small holding tenant leases were rarely despised Hence in this game of musical chairs the small landowners and the poor tenant leaseholders of small plots, in southern and northern regions of Karnataka were the main losers [17] There is, of course, a danger inherent in viewing all the tenants as belonging to the exploited category M V Nadkarni has drawn our attention towards the tactics of dominant class tenants who had leased in lands excessively from small and marginal landholders with the opening of new irrigational facilities in northern Karnataka This class of landowner turned tenant being well represented in the government could strike the iron when it was hot and could thus reduce their small and poor landowner to the position of landless labourers [18]

Almost endorsing Nadkarni's views Narendar Pani has argued that the significant rate of the implementation of tenancy legislation in Karnataka does not mean that justice was brought to the doorstep of the poor and oppressed tenants in reality it favoured the dominant class tenants According to Pani it is only in Dakshina Kannada Uttara Kannada and to some extent in Shimoga districts that the small tenants have benefited by the tenancy law [19] In our opinion this generalisation of Pani states only a partial and not the whole truth because his primary interests was confined to the evaluation of the impact of the 1974 Act Hence he has totally ignored the effects of the 1961 Act Further Pani has taken the 1970-71 Agricultural Census report (and its statistics on number of tenant etc) as the basis for calculating the rate of implementation of tenancy legislation in different regions and districts in Karnataka This assumption should not be the real starting point to evaluate the impact of tenancy legislation in Karnataka because the mere enumeration of the tenants in the census and [illegible] much [illegible] through [illegible] in the early 70s

[illegible] the number of tenants reported the Agricultural Census 1970-71 Pani has [illegible] the number of tenants who [illegible] the 1974 Act with the claim [illegible] the number of [illegible] who were allowed to avail right of [illegible] land [illegible] the land reforms [illegible] Pani to conclude that in six out of the nineteen districts of Karnataka the rates of implementation were above 100 per cent The districts are Bangalore (100 64 per cent), Chikmagalore (135 55 per cent) Kodagu (159 5 per cent) Mysore (140 55 per cent) Hassan (151 25 per cent) and Dakshina Kannada (118 9 per cent) Dakshina Kannada over shooting response by the tenants to the 1974 Act can be explained in two ways

(i) The underestimation of tenancy in the 1970-71 Agricultural Census and
(ii) The increased practices of owner farmers entering into new tenancies after 1974 in spite of the ban imposed by the 1961 Act on fresh leases of land specially where dominant class tenancy existed

The boom of declarations from tenants between 1974 and 1979 according to Pani was due to the fact that a large number of

TABLE 2 CULTIVATORS AND AGRICULTURAL LABOURERS IN KARNATAKA (1961 1971 1981)

Category	1961	1971	Percentage Increase 1961-71	1981	Percentage increase 1971-81
		B	C	D	E
Total Population	2 35 86 772	2 92 99 014	24 20	3 71 35 714	
Cultivators	58 06 664	40 72 879	29 55	[illegible]	[illegible]
Agricultural Labourers	17 61 110	27 17 537	54 40	36 55 [illegible]	[illegible]

Sources Column A *Census of India* 1961 Vol XI Mysore Part I A General Report [illegible] p 687
Column B *Census of India* 1971 Series I Part II B (i) General Economic [illegible] pp 42 45
Column D *Census of India* 1981 Series I Part II B (i) General Population Tables pp 174 233

tenants initially afraid of even disclosing their tenancy in 1971 eventually got over their inhibitions and apprehension and subsequently filed their declarations in the land tribunals and won them [20] Though this assumption is quite valid it gives an impression that most of the hitherto suppressed tenants came out boldly in 1974 We must note that all the tenants who had reported their status in 1971 should not necessarily have applied for ownership rights on their tenurial lease holding after 1974 It has been found during our field trips that some ex tenants did not apply because they were intimidated to keep quiet by their goonda landowners some ex tenants and their landlords had entered into compromise and thus the leased land had been resumed by the landowner against some mutually agreed compensation to the tenant and in some cases the tenants have purchased their tenurial lease holding from their erstwhile landowners In our view however the greater and more bold response of tenants during 1974 1979 could be attributed to a special clause in the 1974 Act which provided for the inclusion of a new class of tenants namely the deemed tenants whoever cultivating the land belonging to another bearing the risks of cultivation was a deemed tenant if he did not belong to the landowner s family nor he was a wage worker for a fixed wage in cash or kind [21] This provision in the 1974 law might have emboldened the majority of *gennidars* (tenants) to file declarations who were without *genichits* (written lease documents) and who greatly outnumbered the tenants who had reported their status in the 1971 Agricultural Census (see Table 1)

One cannot rule out Pani s apprehension that false applications might have been filed by vested interests to achieve undue advantages of the land reforms legislations [22] But in our opinion the size of such false declarations might not be as large as he imagines Because false declarations arise in situations where the vested interests are involved in creating tensions in the villages either to trouble other landlords or to sabotage and prevent the real tenants from getting the benefits of the land reform laws It is generally agreed that such agrarian tensions were not a statewide phenomenon in Karnataka but were confined to the Dk district [23] Hence it seems that the active response from the tenants after 1974 was mainly due to the nature of the act that gave not just security but also ownership rights to the tenants on their leased in holdings thereby helping ex tenants to break all the shackles of servitude

We argue that if the rapid changes in the agrarian structure in Karnataka following the tenancy legislation of 1974 are to be understood, then the statistics of 1971 Agricultural Census do not constitute sufficient basis to explain the noticeably high rate of implementation of the land reforms legislation [24] In the official evaluation of the implementation of land reforms, it was customary to calculate the proportion of the number of cases settled in favour of tenants to the total number of tenants petitions This proportion was then compared with the total number of tenants as were recorded at the time of 1971 Agricultural Census In fact, in his analysis Pani also adopts uncritically the same method of calculating the rate of implementation We have, however, shown with the help of statistics presented in Table 1 that if the 1971 Agricultural Census is taken as the basis of our calculation then it gives misleading results with vastly inflated success rates of implementation as has happened in Pani s analysis Our contention is that it is necessary to look at the problem of tenancy and its eradication not only in terms of the prospective effects of the 1974 tenancy legislation but also its effects retrospectively since 1957 Clearly the landlords have always been more tactful than the tenants due to the former's economic domination superior status education and links of patronage and protection from political and administrative circles Thus implementation of a progressive land reform enactment would be the last thing they would put up with In fact landlords were well prepared to face the 1974 Act having manipulated all possible readjustments in the land records In other words a large number of tenurial leases had been withdrawn by the landlords to be shown as under personal cultivation which was not illegal under the unamended 1961 Act Hence there is a need to probe deeply into the size of tenants who were already evicted under the provision of 1961 Act and were thereby deprived of the subsequent opportunity to take the full advantage of the 1974 Act We believe that for any real assessment of the extent of agrarian social transformation in Karnataka, following the 1974 enactment it is necessary to use the statistics on tenants as they were recorded in the year 1957 To do so some caution and clarification are called for

During the period immediately preceding the reorganisation of states in 1956 various acts for protection of tenants and fixation of fair rents had been enacted and also implemented in Bombay Hyderabad and Madras states in which Kannada speaking regions were scattered Although figures are not available it can be surmised that some tenants from Karnataka must have taken the advantages of the provisions of different provincial legislations before the Karnataka state came into existence even granting that it is not possible to estimate the exact impact of these legislations on the Karnataka tenantry in the pre reorganisation period it does not weaken the strength of our argument that the number of tenants as recorded in 1957 in Karnataka (as available in the 1961 Census) is the most appropriate basis for the calculation and evaluation of the implementation rate.[25] This is substantiated by a comparative study presented in Table 1

It is evident that the number of tenants who responded to the 1961 Act is infinitesimally small (see Table 1, column B), compared to the total number of tenants that existed in 1957 (see Table 1, column A) Regrettably though, it suggests that the tenants were either forcibly evicted by their landlords for resumption of leased lands for self cultivation or were coerced to forgo their legal claim (so as to appear as voluntary surrender) in return of protection to be sought by tenants applying for the security of tenancy provided under the 1961 Act It is not surprising therefore that eventually landlords destroyed records of the landleases as a prelude to their programme of large scale eviction of tenants Such a possibility cannot be ruled out given that compared to the actual number of tenant families in 1957 (column A) there were so few who actually reported their tenant status during the 1970 71 Agricultural Census (column C) The sharp decline in the reported cases of tenancy from 1957 to 1971 can be seen from the figures in column F (which represent the proportion of tenants in 1971 to those recorded in 1957) of Table 1 At the state level this proportion was only 21 9 per cent of the total cases reported in 1957 It was even as low as 2 3 per cent in Kodagu district In D K district where the tenancy legislation is considered to have been implemented more successfully the decline was quite sharp as over 85 per cent of the tenants (as recorded in 1957) had either been evicted or had not applied in 1971 and only 14 39 per cent cared to apply - which is simply appalling by any standards

The decline in the reported tenancy varied within the coastal Malnad region itself from 97 7 per cent in Kodagu to 60 per cent in Uttara Kannada district (see Table 1 column F) There were two factors mainly responsible for such a decline in the number of recorded tenants from 1957 to 1971 First, the resumption of land for personal cultivation by the landowners was rampant it is not unlikely that in many cases the landlords might have been sold the resumed land eventually For instance by August 30 1970 there were as many as 95 000 resumption applications by the landlords under the 1961 Act [26] Secondly tenants totally dependant on the landlords felt all the more insecure Of the total 1 49 950 cases of rent recovery and fixation of fair rents 1 21,950 (81 3 per cent) were still pending for disposal up to August 30 1970 [27] Such an indifference to the urgency of fixation of fair rents further aggravated the insecurity of tenants who lacked strength for prolonged resistance against their landowners through litigation However in the absence of any studies about what really happened during the 1957 71 period it is possible to assume that the tenants were either allowed to operate on their leased lands without any record of lease rights or the lands were simply resumed for personal cultivation, using either persuasion, or illegally by force or fraud No doubt, in this period wherever personal cultivation was not possible, the lands must have been extensively brought into the market At the

present level of our knowledge, however, only a studied guess can be offered since authentic figures/quantitative data on land market in Karnataka during those years were not available to us at the time of writing this paper

To recapitulate our argument by the time the 'radical' tenancy legislation was tabled in the state legislature for enactment in 1974, nearly 78 per cent of the tenants had already lost their occupancy rights due to evictions mostly on the flimsy ground of 'resumption for self-cultivation' Hence, only the remaining 22 per cent of the tenants who were fortunate to have continued their leased in holdings got the opportunity to claim ownership rights in Karnataka by 1971 (see Table 1 column F) However it is necessary and important to note that about 45 per cent of the registered tenants in 1957 did stake their rights in response to the 1974 Act But this figure included both the deemed tenants—a category freshly recognised by the 1974 Act and the new leases that had been effected after the implementation of 1961 Act It is argued here that the thesis about the presence of the black sheep – i e the dominant class tenants (landowners turned tenants) advanced by Nadkarni and Pani gains ground [28]

From the column G of Table 1 one can further observe that the increased response from tenants to the 1974 Act was not very striking except in Hassan district where the proportion of tenant applications (received up to 1979) to the total number of tenants as registered in 1957 has been reported to be as high as 158 74 per cent Of course Mandya Gulbarga, Bangalore Kolar and Raichur districts too show a considerable increase, but these were the areas where the problem of dominant class tenancies was most notable The D K district and Uttara Kannada district which together constitute a homogeneous region where small tenancy holdings prevailed did not show in reality an exponent position compared to 1957 situation, though actual numbers of tenants have been higher in these than other districts (see Table 1 column E) Hence though the popular opinion is that the implementation of tenancy legislation was highly successful in Karnataka and that especially it was more effective in D K district[29] our findings are to the contrary suggesting that the popular opinion is more of a myth than a reality

The available studies on land reforms in Karnataka suggest that the implementation of tenancy legislation is successful because of those tenants who had applied for ownership rights on their tenurial lease holdings about 60 per cent have benefited under the 1974 Act (see Table 1, column I) Our contention, however is that a large section of tenantry had already been deprived of their statutory rights of occupancy and confirment of ownership and hence the real success of tenancy reforms is only 26 77 per cent in Karnataka state (see Table 1, column H) Only Hassan district shows an unusual trend as it has faired well in the implementation of the tenancy legislation of 1974 However, the situation of Hassan needs a closer scrutiny and a detailed study since the presence of dominant class tenancy in that area might have vitiated the expected change Excluding Hassan then rest of the districts show a poor performance in the implementation of tenancy legislation varying between 44 66 per cent in Uttara Kannada to 4 52 per cent in Kodagu district (see Table 1 column H) In our assessment therefore the complex problem of tenancy in Karantaka was very inadequately handled by the government which lacked political will and commitment Unfortunately this dismal failure of land reforms in Karnataka as a whole was pushed under the carpet as hitherto the assessments based on the statistics of the recent period i e 1970 71 have dominated the political thinking and academic exercises

Statistics presented in Table 2 justify our assumption that the eviction of tenants as an effect of the 1961 Act was rampant in Karnataka In fact we argue that the success of tenancy legislation in Karnataka has been systematically developed into a myth From Table 2 it is evident that between 1961 and 1971 there was nearly a 30 per cent decrease in the number of cultivators who included both the landowners and the tenants* This significant decrease in a decade when the land reform legislations were planned and implemented has taken place in spite of the population increase by 24 2 per cent for the decade (i e 2 4 per cent annually) On the other hand there was a remarkable increase (54 3 per cent) in the category of agricultural labourers which indicates the sharp rise in the *proletarianisation* of cultivating tenants

The number of cultivators may decrease due to large scale alienation of land by small holders to big landholders resulting in the increase of large size operational holdings But such a phenomenon has not occurred in Karnataka [30] Hence it was more probable that the decrease both in percentage and in absolute number of cultivators has occurred on account of large scale eviction of tenants at will Thus it seems the 1961 Act has had a negative impact on the tenantry in contravention of the principle of redistributive justice implied in land reforms Undoubtedly by 1971 the residue to be cleared off with a strong tenancy legislation was relatively very small Hence any spectacular success of 1974 radical land reform or its lasting impact on the agrarian structure in Karnataka was only a remote possibility However it must be noted that although the number of the cultivators increased during 1971 1981 it did not reach the 1961 figures (see Table 2) Actually over the two decades—1961 to 1981—the number of cultivators decreased by 10 per cent whereas agricultural labourers had increased by 107 5 per cent when the population increased by 57 4 per cent during the same period

The argument relating to the massive eviction of tenants between 1957 and 1974 can be substantiated by a comparative view of the extent of tenancy in Karnataka in 1961, 1971 and 1981 From Table 3, it is evident that nearly 30 per cent (29 8 to be precise) of the holdings were leased-out to tenants for cultivation in 1961 The percentage of tenanted holdings, however was very high in the two coastal districts in 1961 and also in 1971 (see Table 3) although it had begun to decline But in every district, tenancy decreased sharply between 1961 and 1971 A R Rajapurohit has interpreted this declining trend of tenancy elimination as an indication of a positive change and in this sense, even some impact of the 1961 Act on the changing agrarian structure in Karnataka cannot be denied [31] Such a rosy picture is, however disputable since we cannot get any evidence to show that by and large, the tenants were granted occupancy rights on their lease holdings as a result of the implementation of the 1961 Act On the contrary we have already shown that the response by the tenants to the 1961 Act was rather sluggish (see Table 1) Moreover, though the Act had provided the tenants with the right of pre emption i e, privilege of first claim to buy the lands from the landlord it was beyond the reach of tenant's resources excepting of course those of the dominant class tenants Being financially poor generally an average tenant could not buy the tenanted holding Even socially, the tenant's changed status as landowners was not going to be welcomed without grudge in their respective villages Therefore, the percentage of self operated holdings in Karnataka must have increased mainly due to eviction of tenants since the 1961 Act had armed the landowners with the right of resumption for personal cultivation and at the same time had fixed the ceiling limit on holdings rather generously In spite of these deficiencies in the enactment as well as implementation of the law the government of Karnataka has claimed achievement in the tenancy eradication in the state on the basis of figures presented in column C of Table 3

LAND CEILING AND REDISTRIBUTION OF SURPLUS LAND

A discussion on the effects of the Land Ceiling legislation that was incorporated in the 1961 as well as in the 1974 Acts is relevant here to understand the failure of tenancy legislation in Karnataka Most of the studies have concluded that the big landlords could find enough leeways to escape from

* In the 1961 Census the term cultivator was defined thus For purposes of census a person is working as cultivator if he or she is engaged whether as employer single worker or family worker in (a) cultivation of land or supervision or direction of cultivation of land owned or held from government and (b) cultivation of land or supervision or direction of cultivation of land held from private persons or institutions for payment in money kind or share (*Census of India*, 1961 Vol XI Mysore Part I A General Report Chapter X p 562)

the blow of ceiling legislation [3] They were least affected as the ceiling limit was fairly high for all classes of lands According to the 1961 law a maximum 27 standard acres of first class wet land was fixed as the ceiling which could go up to 432 acres of dry land that was the maximum permissible for a big family [3] Even under the 1974 Act the big landlord could retain wet lands under their ownership by dividing their family into a number of units for technical purposes and also by *benami* transactions of landed property Given the underestimation of what was happening in Karnataka seasoned bureaucrat like Karan who was associated with the early implementation has admitted that the ceiling law was the whole purpose kept in the law Though the 1974 Act made some improvements in the weaknesses in the provisions of the 1961 Act it was not carried out only to be a publicity stunt of the government Compared to the 1961 Act the so called stringent ceiling law of the 1974 amendment actually allowed a family to hold equality land under private ownership Further since the big landlord [illegible] out of danger of the implementation of ceiling legislation they did not hesitate to use devious tricks to resume the tenanted holdings either by compromise or by force So the provision of ceiling in terms of numbers apparently stringent was really not effective measure since it only keep in [illegible] the inequalities in landholding in the agrarian structure in Karnataka

It was to expect that if one had expected some positive transformation to take place by 1976 in the pattern of land control (i e in size of landholdings) in Karnataka since the 1974 Act and of December 31 1974 as the deadline for the declarations by those who owned land beyond ceiling limit and November 18 1961 as the reference date to determine the surplus land But it is evident that the agrarian structure had hardly been visibly affected by the ceiling legislation in Karnataka For instance the percentage of big holdings (above four hectares) had decreased only by 3 per cent i e from 23 7 per cent in 1970 71 to 21 78 per cent in 1976 Similarly the area controlled by the big landholders decreased only by 2 37 per cent i e from 6 per cent in 1970 71 to 62 63 per cent in 1976 77 which means they still controlled large tracts of land disproportionate to their class size Further the average land held by the class of big landowners is 9 43 hectares or 233 acres that stands in contrast to the maximum ceiling of 54 acres prescribed by 1974 Act even for the dry land (D class) The 1974 Act permitted the companies and even individuals to hold extensive plantations without ceiling prescriptions Also the non agriculturists were allowed to buy and sell plantations growing cardamom coco coffee tea pepper and rubber This shows that a clear ideological foundation of social justice was lacking in the supposedly progressive piece of legislation in Karnataka [36]

The 1974 Act stipulated that all the surplus land vested in the government, was to be allotted among (i) dispossessed/displaced tenants having no land, (ii) landless agricultural labourers (iii) released bonded labourers and (iv) landless persons, ex service men or other persons residing in the same or neighbouring villages whose gross annual income did not exceed Rs 2 000 However it was obligatory for the government to see to it that at least 50 per cent of the grantees would be from the Scheduled Castes Tribes categories [37] But as expected the bureaucratic inertia in the implementation of land ceiling prevented any effective redistribution of surplus land to the needy The initial years after the enactment of 1974 Act witnessed neither vigour nor speed in the official effort to implementation The redistributed land constituted less than 8 per cent of the legal surplus land i e less than 0 2 per cent of the total cultivated land in the state It would therefore be difficult to deny that redistribution of surplus land had been a low priority item on the government's policy agenda [3]

The data available in the monthly reports compiled by the Revenue Department (Land Reforms) government of Karnataka should suffice to support our contention that the implementation of land ceiling was unusually tardy in Karnataka (see Table 4) The existence of very large size holdings in great number and the availability of surplus land for distribution varied greatly for districts in Karnataka Table 4 shows that the declarations filed under the 1974 Land Ceiling Law were more in the districts of the northern region where numerous large or extensive holdings controlled vast tracts of land The districts of Chitradurga, Shimoga and Bellary, closer to the northern region, also had more cases whose large-scale holdings exceeded the ceiling limit In the remaining districts of the state, the situation was somewhat uniform However compared to tenancy the issue of land ceiling in the coastal districts was relatively a less significant one

The disposal of the declarations was nearly complete (99 7 per cent) by August 31, 1987 throughout the Karnataka state (see Table 4 column J) But it was only in very few of the disposed of cases that the implementation machinery was able to determine surplus land For example the proportion of landholders (whose surplus land was identified) to the total number of declarations disposed of, varied from district to district It was as low as 0 9 per cent in Kodagu district of the Malnad region and was as high as 17 8 per cent in the Bellary district in the southern region The state average in this regard was only 6 8 per cent (see Table 4, column K) Also the extent of land actually identified as surplus to the total land under declarations was as low as 4 per cent in Raichur district to 0 4 per cent for the Uttara Kannada district (see Table 4 column L) Explanation for such a situation is not far to seek The 1974 law required declarations to be filed by every landowner who had 40 acres of dry land, or 20 acres

TABLE 3 DISTRICTWISE LEVEL OF TENANCY IN KARNATAKA 1961 1981

Regions and Districts	Percentage of Tenanted Holdings 1961 A	1971 B	1981 C
Coastal Region			
1 Dakshina Kannada	[illegible]	54 4	2 39
2 Uttara Kannada	74 1	68 2	1 78
Malnad Region			
3 Chikmagalore	33 3	8 2	1 00
4 Hassan	22 1	3 5	0 80
5 Kodagu	36 8	1 4	0 24
6 Shimoga	50 3	21 5	6 00
III Northern Region			
7 Belgaum	33 5	15 9	2 00
8 Bidar	15 1	2 8	1 40
9 Bijapur	23 5	9 8	0 53
10 Dharwad	34 4	18 2	1 77
11 Gulbarga	28 7	10 6	0 91
12 Raichur	34 0	3 7	0 72
IV Southern Region			
13 Bangalore	33 7	5 1	1 81
14 Bellary	33 0	5 9	1 81
15 Chitradurga	17 8	1 5	0 50
16 Kolar	25 3	6 2	0 46
17 Mandya	15 6	2 0	0 26
18 Mysore	25 4	3 6	0 71
19 Tumkur	15 5	1 7	0 66
Karnataka	29 8	11 2	1 28

Sources Column A *Census of India*, 1961 Vol XI Mysore, Part III Household Economic Tables Table B XI
Column B *Census of Agricultural Holdings in Karnataka 1970-71* (1974)
Column C *Agricultural Census* Karnataka 1980-81

of rainfed wet land, or 10 acres of fully irrigated land. This acreage was considerably lower than the prescribed upper ceiling limit of 54 acres of dry land or its equivalent for a family of 5 members or less. Further, every adult male member and a widow in the family were treated as independent units entitled to hold land separately as per the ceiling of full 10 units of landholding. This liberal provision tremendously reduced the number of potential surplus holders among the declarants who could then show 'nil' surplus. This happened in large number of cases.[39] This explanation seems technically correct, but in reality the 1974 law itself had given sufficient scope for readjustment by transfer of land in the land records and enabled many to evade the law. It is therefore, surprising that even after 14 years since the implementation of the 1974 law, only 52.5 per cent of the total declared surplus land has been taken possession of by the government, out of which only 35.5 per cent has been actually redistributed (see Table 4, column M and N). In Bangalore district, however, the whole work of redistribution remained untouched. The official machinery has, however, acted promptly to ensure that the redistribution of surplus would conform to the legal provision namely that 50 per cent or more of such land grantees should be from amongst SCs/STs, this percentage is 61.2 in Karnataka. By no means, this is a commendable attainment because the redistributed lands were mostly of poor soil quality, dry and unirrigable. The studies on the progress of redistributed holdings often have shown that the cropping intensity, income and returns from farm business were comparatively low and hence uneconomical in such lands.[40]

The official evaluation by the government of Karnataka also testifies that the condition of the allottees in the utilisation of redistributed land was deplorable.[41]

Impact on Agricultural Labour

We have seen that the enactment of the 1974 law brought little difference, and failed to radically change the basic socio-economic structure of the agrarian society. Hence, one may anticipate some change (but not a substantial one) in the existential conditions of agricultural labourers as a class once the land reforms legislation is introduced. Because, such a legislation entails a transition in the position of landowning, land controlling and land-using classes. In fact, initially both tenants and agricultural

Table 5 Applications Filed by Landless Labourers for Ownership Rights on Dwelling Units (as on 31.8.1987)

District	No of Applications Received A	No of Applications Disposed B	No of Applications Decided in Favour of Applicants C	Percentage of C to B D
I Coastal region				
1 Dakshina Kannada	14 306	11 937	7 977	66.8
2 Uttara Kannada	3 769	3 325	2 124	63.9
II Malnad region				
3 Chikmagalore	126	126	82	65.1
4 Hassan	77	77	71	92.2
5 Kodagu	191	191	65	34.0
6 Shimoga	376	321	126	39.3
III Northern region				
7 Belgaum	1 023	606	429	70.8
8 Bidar	14	14	9	64.3
9 Bijapur	145	76	75	98.7
10 Dharwad	141	140	46	32.8
11 Gulbarga	1 570	1 570	1 117	71.1
12 Raichur	2 746	2 746	1 399	48.8
IV Southern region				
13 Bangalore	295	282	60	21.3
14 Bellary	115	115	–	–
15 Chitradurga	404	380	40	10.5
16 Kolar	4	4	1	25.0
17 Mandya	21	21	13	61.9
18 Mysore	61	50	1	2.0
19 Tumkur	60	59	52	88.1
Karnataka state	25 444	22 040	13 687	62.1

Source: Monthly Report on Land Reforms Progress in Karnataka State upto 31-8-1987, Revenue Department (Land Reforms), Government of Karnataka, Bangalore.

Table 4 District-wise Determination and Distribution of Surplus Land in Karnataka as on 31.8.1987

Regions and Districts	Declarations Received No A	Declarations Received Extent (Acres) B	Declarations Disposed No (Acres) C	Declarations Disposed Extent D	Surplus Land Determined No (Acres) E	Surplus Land Determined Extent (Acres) F	Extent Taken Under Possession by Govt (Acres) G	Extent Distributed Total Acres H	Extent Distributed Among SCs STs I	Percentage of Achievement C/A J	F/C K	F/D L	G/F M	H/F N	I/H O
I Coastal region															
1 D Kannada	2 178	1 16 721	2 171	1 15 707	76	3 248	2 588	636	453	99.7	1.2	2.8	79.7	19.6	71.2
2 U Kannada	3 690	83 829	3 683	83 497	41	371	235	144	105	99.8	1.1	0.4	63.3	38.8	72.9
II Malnad region															
3 Chikmagalore	2 089	1 23 673	2 083	1 22 257	67	1 135	504	463	308	99.7	3.2	0.9	44.4	40.8	66.5
4 Hassan	1 255	66 879	1 255	66 879	31	1 234	1 083	841	492	100.0	2.5	1.8	87.7	68.1	58.5
5 Kodagu	795	46 774	784	46 079	7	482	2	2	2	98.6	0.9	1.0	0.4	0.4	100.0
6 Shimoga	7 374	2 37 865	7 373	2 37 840	216	5 079	1 876	1 303	849	99.9	2.9	2.1	36.9	25.6	65.2
III Northern region															
7 Belgaum	13 940	9 12 226	13 910	8 94 320	465	28 864	16 826	10 861	6 140	99.8	3.3	3.2	58.3	37.6	56.5
8 Bidar	4 638	2 74 302	4 630	2 73 646	310	7 441	3 504	1 946	1 108	99.8	6.7	2.7	47.1	26.1	56.9
9 Bijapur	23 470	12 57 642	23 420	12 45 404	1 871	52 204	31 612	22 635	12 525	99.8	8.0	4.2	60.5	43.4	55.3
10 Dharwad	16 967	9 05 990	16 936	8 97 692	715	22 726	13 199	8 306	4 718	99.8	4.2	2.5	58.1	36.5	56.8
11 Gulbarga	18 608	11 67 744	18 587	11 53 979	1 310	44 563	26 514	18 704	11 865	99.9	7.0	3.8	59.5	42.0	63.4
12 Raichur	19 784	9 32 148	19 695	9 31 611	2 911	86 420	34 727	19 853	13 668	99.5	14.8	9.3	40.2	23.0	68.8
IV Southern region															
13 Bangalore	2 166	53 910	2 086	49 311	7	631	—	—	—	96.3	0.3	1.3	—	0.0	—
14 Bellary	6 101	3,09,237	6 040	3 03 008	1 077	24 710	15 971	13 475	8 134	99.0	17.8	8.1	64.6	54.5	60.4
15 Chitradurga	8 843	4 46 684	8,829	4 45 345	300	7 811	2 381	2 381	1 714	99.8	3.4	1.7	30.5	35.5	72.0
16 Kolar	1 458	75 973	1 458	75 973	37	1 047	419	419	276	100.0	2.5	1.4	40.0	40.0	65.9
17 Mandya	2 200	59,325	2,165	58 369	64	896	556	191	81	98.4	3.0	1.5	62.0	21.3	42.4
18 Mysore	3 657	1,25,319	3 643	1 24,185	48	2 098	1 246	1 246	609	99.6	1.3	1.7	59.4	59.4	48.9
19 Tumkur	2,465	1 48,568	2 449	1 46,845	104	3 192	1 050	1,031	844	99.2	4.2	2.2	32.9	32.3	81.8
Karnataka state	1 41,678	73 44 809	1 41 197	72,71,947	9 607	2,94,152	1 54 293	1 04 437	63 891	99.7	6.8	4.0	52.5	35.5	61.2

Source: Monthly Report on Land Reforms Progress in Karnataka State upto 31-8-1987, Revenue Department (Land Reforms), Government of Karnataka, Bangalore.

labourers together struggled for a better deal However, after a series of tenancy reforms had conferred security of tenure and later occupancy on their leased holdings, in a way throughout India, the class of agricultural labourers had been left high and dry They had, therefore, higher stakes in further land reforms (including ceilings) and their faithful and stringent implementation [42] This is equally true of agricultural labourers (including the landless) in Karnataka.

As a part of the land reforms it was therefore, necessary to incorporate measures to uplift the wage-earning class in the rural areas But initially the issue of agricultural labourers was not at all touched by those who framed the Land Reforms Act, 1961 or even the 1974 Act The programme of eradication of tenancy pre occupied their minds so much that all other problems tended to be relegated Finally a special provision was incorporated in the 1974 law as late as in 1979, conferring the agricultural labourers with the right to apply for ownership of their dwelling units on lands which legally did not belong to them (provided they were living in those dwellings as on January 1 1979) with 5 cents (equivalent to 1 20th of an acre) of land surrounding their dwellings [43]

The government however took no initiative in promoting the interests of landless agricultural labourers [44] As shown in Table 2 although the class of agricultural labourers had grown enormously (by over 107 per cent) in Karnataka between 1961 and 1981 very few labourers actually came forward to claim the benefit under the land reform law (see Table 5) As in other categories even in the case of agricultural labourers an impressive number from the coastal districts (particularly the DK district) had taken the lead in filing declarations for the dwelling units But this did not happen in other parts of Karnataka (see Table 5, column A) However, in the absence of studies it is rather difficult to explain why agricultural labourers did not come forward to apply for the ownership of their homestead in the remaining districts

In Karnataka 28 4 per cent of the agricultural labourers consisted of the Scheduled Castes and Scheduled Tribes, while only 13 2 per cent of them belonged to the class of cultivators in 1961 [45] The SCs/STs constituted more than 50 per cent of the labour force in the districts of Bangalore Kodagu and Kolar Apart from these in Bidar Chikmagalore, Chitradurga, Hassan, Mandya and Mysore districts the proportion of those belonging to SCs/STs was more than the state average in the agricultural workforce. In the absence of specific programmes of guaranteeing regular work to them, their condition was not likely to undergo any radical change after the introduction of the land reforms. Moreover, as mentioned earlier, the surplus land distributed to the SCs/STs was of poor soil quality and without irrigation facilities Hence this measure could hardly improve their lot Since the Scheduled castes lived in bondage,

POLYOLEFINS INDUSTRIES LIMITED

BOMBAY

NOTICE

It is hereby notified for the information of the public that **Polyolefins Industries Limited,** Mafatlal Centre Nariman Point Bombay 400021 proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under Sub-section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the establishment of a new unit Brief particulars of the proposal are as under

1	Name and address of the applicant organisation	**Polyolefins Industries Limited,** Mafatlal Centre Nariman Point Bombay 400021
2	Capital structure of the applicant organisation	Authorised Capital Equity Rs 19 30 28 500 Unclassified 69 71 500 Total Rs 20 00 00 000 Issued & subscribed Equity capital Rs 19 30 28 500
3	Management structure of the applicant organisation indicating the names of the Directors including Managing/Whole time Directors and Manager if any	1 Mr Arvind N Mafatlal Chairman 2 Dr H G Janson (Alternate Mr F A Honigmann) 3 Dr H J Alkema 4 Mr G Kremer 5 Mr D Crch 6 Mr H A Mafatlal 7 Mr N M Wagle 8 Mr S Jagannathan 9 Mr Balkrishna Harivallabhdas 10 Dr G V K Rao 11 Dr E Baltin 12 Mr M S Patwardhan 13 Dr N M Dhuldhoya Managing Director 14 Mr V L Schmidt 15 Dr S N Sur Technical Director
4	Indicate whether the proposal relates to the establishment of new undertaking or a unit division	The proposal is for treatment of waste gas and solid waste generated during the process of manufacture of Rubber Chemicals at the existing plant resulting in by products mentioned herein
5	Location of the new undertaking/ unit division	The proposed treatment facilities will be installed in the existing plant of Rubber Chemicals Division at C 37 TTC Industrial Area Off Thane Belapur Road Post Turbhe Thane 400613
6	Capital structure of the proposed undertaking	Not applicable
7	In case the proposal relates to the production storage supply distribution marketing or control of any goods articles indicate	
	i) Name of goods/articles	1 Sodium Bisulphide (NaHS) (30 to 33%) 2 Diamino Disulphide (DADS)
	ii) Proposed licensed capacity	1 3 000 MT per annum 2 30 MT per annum
	iii) Estimated annual turnover	1 Rs 96 00 000/ 2 Rs 30 00 000/
8	In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc	Not applicable
9	Cost of the Project	Rs 1 5 Crores
10	Scheme of finance indicating the amounts to be raised from each source	The Company proposes to meet the Project cost from internal generation of resources

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

POLYOLEFINS INDUSTRIES LIMITED

Sd/
P J Desai
Secretary

Dated 14 8 89

a life of social degradation for generations, it was too much to expect their high turn-out for staking claims on their dwelling units under Section 38 of the Land Reforms Act 1974

It is generally expected that a reasonably successful implementation of land reform legislation leads to depletion of agricultural labour in the countryside. However this did not happen in Karnataka The overall figures for Karnataka show that the proportion of agricultural labourers in total workforce was more or less constant, i e, 26 7 per cent and 26 6 per cent in 1971 and 1981 respectively

The wages of agricultural labour vary from district to district and also within the same district Further, the relationship between the hirer and the hired has taken diverse forms involving peculiar mutual obligations Though the Minimum Wages Act 1948 was implemented in 1959 in the state, it has mostly remained on paper [46] While the administration may claim to have given relief to the agricultural labourers to a certain extent, it did not take precaution to see that the land reforms would not adversely affect and destabilise the agricultural labourers before and even after 1979 In fact revenue and law enforcement agencies not infrequently used force to evict agricultural labourers from their dwellings on lands they did not own

Follow Up Developmental Measures

The beneficiaries of land reforms legislation such as the surplus land grantees as well as the ex-tenants needed support as soon as the ownership on land was granted to them Though the government has introduced many schemes to promote development of lands and also to help the beneficiaries to purchase required inputs all the schemes were no more than an eye wash Firstly the assistance never came immediately after the grant of land ownership to the beneficiaries and secondly the budget allocation was very poor to have any significant achievement For instance, under the Land Development Assistance (LDA) scheme introduced in 1975 76, specifically for the surplus land grantees, the government assistance worked out to only Rs 675 per hectare as against the planned assistance of Rs 2,500 per hectare Further it is really a pity that after more than a decade of introduction of the LDA scheme, about 10,700 beneficiaries (40 7 per cent) have remained without any help under the follow up programme A similar drawback is visible in the implementation of Negilu-Bhagya scheme meant for the poor ex-tenant beneficiaries as also the surplus land grantees introduced in 1982 83 The assistance under this scheme has two components (a) Supply of one pair of bullocks at a cost not exceeding Rs 3,000 out of which Rs 1,000 is subsidy to ex-tenants and Rs 1,500 is subsidy in the case of surplus land grantees, (b) Supply of an input kit, i e, a package of agricultural implements and inputs not exceeding Rs 500 per kit free for each beneficiary provided he is a small/marginal farmer (i e, below 2 hectares of holdings) But due to a meagre actual budget allocation of about Rs 1 53 crore (just 10 per cent of the proposed outlay of Rs 15 25 crore) for 1983-86, the physical targets had to be sealed down to a ridiculously low level of 5 6 per cent Thus only 16,750 land reform beneficiaries were assisted during 1983 86, thereby covering barely 3 3 per cent of the total 5 11 lakh ex tenants [47] If bureaucratic lethargy and lack of funds was the problem in implementing the above schemes, the negligence of basic purpose of the programme is evident in the case of Small Farmers Development Agency established by the government of Karnataka The idea was to channelise credit irrigation and scientific inputs to the small holders But this programme has proved to be a pro landlord measure since the programmes designed to benefit the marginal and small holders who constitute about 45 per cent of rural population but are assigned only about 2 per cent of the public investment [48]

The abolition of tenancy in Karnataka was given a wide publicity though its success was only a myth At the same time the equally important problems of landless agricultural labourers were given a low priority by the government The rural poor of Karnataka have remained unorganised and efforts in unionising the agricultural labourers are not in operation Also the agricultural wages have lagged behind the price increases in Karnataka Moreover the employment generation schemes such as the Employment Affirmation Scheme (EAS) Integrated Rural Development Programme (IRDP) Special Component Plan (SCP) Tribal Sub Plan (TSP) etc suffered from the low budget allocations insufficient staff to handle the programmes and inadequacy of planning besides the general lack of political will Added to these deficiencies there existed endemic problems associated with bureaucracy namely delays corruption mismanagement of funds and confusion in the choice of priority work

In conclusion it can be said that the land reform measures in Karnataka have failed to achieve the avowed ideal of creating an egalitarian agrarian society The legal measures could hardly sabotage the vested interests in land On the contrary the loop holes in the law were the aides in disguise to the landlords to maintain the *status quo* in the agrarian social structure If the government had identified the actual tenants prior to the implementation of the 1961 Act i e, the tenants existed during 1957 to 1961 then the task of redistribution of land could have been easier But the government s interest was limited only to make it a populist measure and so the agrarian tension had mounted as the conflicting interests resorted for a show-down at least in a few pockets of Karnataka The result is not far to seek The economically influential landowners were the inevitable winners of the game Even for the small number of beneficiaries of tenancy Act, the schemes of government assistance remained only a promise. In the case of acquisition and distribution of surplus land, the governmental apathy is unpardonable. An unimpressive achievement in granting rights to the labourers on their homesteads is a testimony to the fact that the agricultural labourers are still a rejected category in the government's scheme of rural transformation Thus under these adverse conditions it is too much to expect the poor tenantry and agricultural labour class to come out to stake their claims on land

Notes

[The author is grateful to D N Dhanagare for having read the manuscript and for his suggestions to improve this paper However the author himself is responsible for mistakes if any]

1 For a detailed explanation of the different tenancy and fair rent acts enacted in Bombay Hyderabad Madras Mysore and Coorg areas, see, P T George, Land System and Laws in Mysore State *Artha Vijnana* Vol XII Nos 1 and 2 March June 1970 pp 117 192

2 Polly Hill s study suggests that in spite of the so-called radical tenancy legislation implemented in Karnataka in 1974 the tenancy reforms had not affected in the *inam* villages See, Polly Hill Comparative Agrarian Relations in Karnataka (South India) and Housaland (North Nigeria) *The Indian Economic and Social History Review* Vol XVI No 3 July September 1979 pp 243 276

3 George, P T op cit p 183 also see *Census of India* 1961 Mysore, Part I A General Report (Chapter X) pp 685 87

4 George P T op cit p 183

5 James Manor Pragmatic Progressives in Regional Politics The Case Study of Devaraj Urs *Economic and Political Weekly (EPW)* Vol XV Nos 5 6 and 7 Annual Number 1980 pp 20, 13 (emphasis added)

6 M A S Rajan *Land Reforms in Karnataka* Hindustan Publishing Corporation Delhi 1986 pp 20 24 Also see, T K Laxman *et al* Land Ceiling in Karnataka, *EPW* Vol VIII No 39 September 29 1973 pp A 111- A 115 Manor op cit pp 201-02

7 Manor op cit p 202

8 Narendar Pani Reforms to Pre Empt Change in Rajpurohit (ed) *Land Reforms in India* Ashish Publishing House, New Delhi 1984 pp 42 44

9 *The Karnataka Land Reforms Rules 1974* Government of Karnataka pp 12 36

10 Ibid pp 12 51 also see Rajan op cit pp 25 44

11 Rajan op cit pp 145 148,also see Rajpurohit (ed) op cit pp 193 206

12 Daniel Thorner *Agrarian Prospect in India*, Allied Publishers Limited Bombay p 31

13 Manor op cit p 202

14 Clive Bell Ideology and Economic Interests in Indian Land Reform in David Lehmann (ed) *Agrarian Reform and Agrarian Reformism* Faber and Faber London 1974 pp 107 11

15 Manor, op cit, p 205
16 Theodor Bergman, *Agrarian Reform in India*, Agricole Publishing Academy New Delhi, 1984
17 M V Nadkarni Tenants from the Dominant Class A Developing Contradiction in Land Reforms *EPW* Vol 11 No 9 December 25 1976 pp A 137 –A 146
18 Ibid pp A 137 A 146
19 Pani op cit pp 63 64
20 Ibid p 56
21 Rajan op cit p 2
22 Pani op cit pp 55 56
23 Ibid p 64 also see S X James Melchior Implementation of Land Reforms *EPW* Vol XIV No 18 May 5 1979 pp 799 801 Atul Kohli *The State and Poverty in India* Cambridge University Press 1987 p 176
24 All the studies available to us without exception have ignored to see the latent effects of the 1961 Act and have evaluated the success of the 1974 tenancy legislation against the tenancy situation as available for 1971 (Agricultural Census) See for example Manor op cit Pani op cit Rajpurohit op cit Rajan op cit
25 *Census of India 1961* Mysore Part I A op cit p 671
26 *Statement on Land Reforms in Mysore State made in Chief Ministers Conference on Land Reforms held at New Delhi on 26 9 1970* taken from collections of Vidhana Soudha Library Bangalore pp 6
27 Ibid pp 6
28 Nadkarni op cit pp A 137 A 146 Pani op cit pp 55 65
29 This opinion has been projected in almost all studies on land reforms in Karnataka see Manor op cit pp 201 213 Rajpurohit (ed) op cit pp 188 205 Pani op cit pp 42 70 Rajan op cit pp 99 106
30 See *Statistical Abstract of Karnataka* 1978 79 Bureau of Economics and Statistics Government of Karnataka Bangalore, pp 78 80
31 Rajpurohit op cit pp 193 96
32 See T K Laxman et al op cit pp A 111– A 115 Narendar Pani op cit pp 65 70 Rajan op cit pp 18 23 Kohli op cit pp 153 61
33 Rajan op cit pp 18 19
34 Ibid p 18
35 Chandrashekhara B Damle, *Land Reforms and Changing Agrarian Relations in Dakshina Kannada District Karnataka* (PhD Thesis submitted to Poona University) 1989 pp 181 84
36 Ibid pp 185 86
37 *The Karnataka Land Reforms Rules 1974* Government of Karnataka Government Press Bangalore 1982 pp 70 71
38 Kohli op cit pp 165 66
39 Rajan op cit p 106
40 P T George and K N Raju Utilisation of Surplus Land in Karnataka in Rajpurohit (ed) *Land Reforms in India* op cit pp 121 135
41 *Report on the Working of Land Reforms Act Follow up Measures -Karnataka* Government of Karnataka Bangalore 1987 p 24
42 K C Alexander *Peasant Organisations in India* Indian Social Institute New Delhi 1981 pp 197 98
43 Rajan op cit p 30
44 Manor op cit pp 203 205
45 *Census of India 1961* Vol XI Mysore Part I A General Report pp 687 689
46 *Gazetteer of Karnataka* South Kanara District 1973 op cit p 382
47 For details see *Report on Working of Land Reforms Act* op cit pp 19 52
48 Kohli op cit pp 179 82

FORM II-A

THE MRTP ACT, 1969

[See Rule 4 A (1)]

Form of general notice to be given to the members of the public before making an application to the Central Government under sub Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969

NOTICE

It is hereby notified for the information of the public that INDOFIL CHEMICALS COMPANY A DIVISION OF MODIPON LIMITED Nirlon House Dr Annie Besant Road Worli Bombay 400 025 proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under sub Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the establishment of a new unit Brief particulars of the proposal are as under

1 Name and address of the applicant	INDOFIL CHEMICALS COMPANY (A Division of Modipon Limited) Nirlon House Dr Annie Besant Road BOMBAY 400 025 Regd Office Hapur Road Modinagar 201 201	
Capital structure of the applicant organisation	Equity	Preference
Authorised	1 00 00 000	5 00 00 000
Issued subscribed & paid up	7 83 80 570	1 45 49 500
2 Management structure of the applicant organisation indicating the name of the Director in charge of Management of the Directors and Managers	The Company is managed by the Managing Directors under the overall superintendence of the Board of Directors Names of Directors are as under	
	Mr S B Lal	Chairman
	Mr K N Modi	Director
	Mr K K Modi	– President Managing Director
	Mr M K Modi	Vice President Managing Director
	Mr J Doyle	Director
	Mr A F Smith	Director
	Mr C O Metzger	Director
	Mr J T Sobak	Director
	Mr M L Modi	Director
	Mr Prabhat Kumar	Director
	Mr K Modi	Director
4 Indicate whether the proposal relates to the establishment of a new undertaking or a new unit division	New Unit	
5 Location of the new undertaking unit division	It is proposed to locate the new undertaking in the State of Maharashtra preferably in a notified backward district area	
6 Capital structure of the proposed undertaking	The proposal is to be implemented by the existing Company whose capital structure is given in Item 2 above	
7 In case the proposal relates to the production storage supply distribution marketing or control of any goods articles indicate		
I Name of goods articles	II Proposed licensed capacity	
Petroleum Additives	3000 MT per annum	
III Estimated annual turnover	About Rs 16 50 Crores	
8 In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc	Not applicable	
9 Cost of the project	About Rs 2 83 Crores	
10 Scheme of finance indicating the amounts to be raised from each source	Internal resources rupee and foreign currency loans from institutions and debentures/deposits	

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

Sd/
(I K GUPTA)
SECRETARY

Dated this Fourteenth day of August 1989

Notes on the Invention of Tradition

Rustom Bharucha

When people 'invent' tradition ('authentic' or 'spurious', through acts of 'cultural preservation' or 'subversion'), they unavoidably imply that they are no longer in touch with its immediacies Yet an illusion is often maintained whereby the 'invention' is placed within the mainstream of tradition itself

This essay discusses the more seemingly 'creative' inventions of tradition that have been implemented by our artists, directors and 'experts' in the Indian theatre Much of the discussion focuses on the discourse *of theatre, in which concepts of the 'folk' and the 'theatre of roots' are examined as inventions of the urban intelligentsia*

INSTEAD of attempting to define "tradition" in a pan Indian context, I would like to situate it within its multiple uses in the contemporary Indian theatre. To what extent has "tradition" (which originates from the Latin word *tradere*, to "hand over" or "deliver") been used in the context of "handing down knowledge" or "passing on a doctrine"? And to what extent has it been "invented" (to use Eric Hobsbawm's valuable term) in response to larger political, economic, and social factors?

As I demonstrate in this essay, tradition can be invented in any number of ways, even though we may not be aware of it The most conspicuous of "inventions are 'fabrications" such as the Republic Day Parade where the diverse cultures of India are "unified" through a carefully choreographed spectacle In recent years, this kind of in vention" has become increasingly virtuosic as is evident in the Festivals of India and the Utsavs of New Delhi Here through a conglomeration of effects which ould include songs, dances, tableaux symbols floats fireworks, 'informal' minglings between "native" performers and foreign spectators, selling of Indian food, and other indigenous' activities an atmosphere is constructed whereby 'the Indian tradition is affirmed not necessarily as people in India would understand it but as our government would like to represent it to the world

In this essay, I will not deal with this ubiquitous phenomenon but focus instead on the more seemingly "creative' inventions of tradition that have been implemented by our own artists, directors, and "experts' in the Indian theatre Much of the discussion will focus on the *discourse* of theatre, in which concepts of the folk and the theatre of roots" will be examined as inventions of the urban intelligentsia More often than not when people "invent" tradition ("authentic" or "spurious", through acts of 'cultural preservation" or "subversion") they unavoidably imply that they are no longer in touch with its immediacies Yet an illusion is often maintained whereby the "invention' is placed within the mainstream of tradition itself

Mediations of Technology

At a very basic level, one could say that "inventions" develop from an urge to "find out or produce something new" They are not "discoveries" of things which already exist but need to be 'exposed' made known' Inventions uphold a different sense of the unknown Instead of "exposure" they are concerned with *making* new artefacts Very often these artefacts emerge through the mediations of a new technology and machinery that precipitate an alteration of forms In the following section let us examine some of these mediations through the intervention and assimilation of foreign' structures of representation

It is well known that our tradition has always provided us with a surfeit of narratives in the theatre Our professional theatre in the late nineteenth century scored some of its most spectacular successes with theatrical renderings from the *Mahabharata* and the *Ramayana* That all Indian phenomenon the Parsee theatre, funded and administered by the Parsees but acted directed designed and most important seen by a wide range of communities all over India invariably had a stock of traditional plays Invariably they were mythological in content providing a direct stimulus to the religious blockbusters of the early Indian cinema

The point to be stressed here is that our 'tradition had already been mediated by the colonial machinery of the nineteenth century theatre the conventions and stage tricks derived from the pantomimes and historical extravaganzas of the English Victorian stage However it should also be emphasised that these derivations had been thoroughly 'Indianised through music song colour pathos melodrama and the histrionic delivery of lines that are intrinsically a part of the popular theatrical tradition in India

At a very elemental level tradition in the nineteenth century commercial theatre meant 'spectacle It provided audiences with new possibilities of adoring goods and mythological heroes in kinetic, technicolour settings In its importation of theatre technology there were trapdoors that facilitated supernatural ascents and descents a ' fly system ' that enabled *apsaras* to float rather precariously into the wings and at a later stage, the novelties of the revolving stage, cloud machines and the cyclorama

So alluring were these derivations of an essentially foreign theatre tradition, and so widespread their influence, that even today one can trace their remnants in a number of "traditional' performances In Yakshagana, for instance, or of what remains of it traces of the popular Gubbi theatre tradition still linger in painted backdrops and histrionic acting styles that are anathema to the purists I have even seen a Krishnalila performance in a village where a very belligerent female impersonator outstaged Krishna in a sequinned costume and wig that looked like relics from *Shirin Farhad*

At one level these commercial interventions are perversions but nonetheless they have been absorbed within traditional performance structures in deference to 'popular taste It needs to be emphasised that the clear cut distinctions between popular culture (which is the category in which company theatre or Parsee theatre' could be placed) and folk culture (to which Yakshagana ostensibly belongs) cannot be regarded as absolute or mutually exclusive Nor can we assume that it is folk forms ' which invariably influence popular entertainment because they happen to be older and rooted in the cultural psyche of the people Very often it is the other way around when for example, the perversions of commercial Bengali theatre notably cabaret have directly influenced the folk theatre tradition of Jatra

In fact if there is one indigenous source of influence that has played a fertile role in promoting new genres it would not be the folk theatre (which is struggling to hold on to its identity) but the company theatre' tradition which no longer exists but whose idiom has been absorbed in the commercial Hindi cinema and more recently in the representation of myth on Doordarshan serials If one had to trace the origins of mass appeal embedded in Ramanand Sagar's *Ramayana* one would have to turn to its use of Parsee theatre conventions, which are barely recognisable, yet perceptible, submerged under layers of conventions from other traditions Apart from the obvious influence of mythological films, there are traces of science fiction advertising, high tech cartoons and even through some convoluted process of unconscious assimilation, the visuals of Monty Python

Whatever one may think of its artistic merits one cannot deny that Sagar's *Ramayana* has been sufficiently convincing to millions of people to serve as a source of *darshana* What may seem bizarre and mindlessly eclectic has been intensely familiar to the masses The eternal fiction of the *Ramayana* has not merely survived its 'invention on the idiot box, it may even

has stimulated a form of Hindu revivalism, whose manipulative possibilities by fundamentalists and politicians need not be stressed. One can despair about the absence of historicity in representations like Sagar's *Ramayana* but they also reveal very decisively that people are prepared to accept new 'inventions' of tradition so long as their faith in dominant myths is substantiated and enriched.

In this regard, in reflecting on the mediation of new technologies to project myths, what needs to be stressed is not so much the technology itself but how it is viewed. The *Ramayana* has been seen within the proscenium framework of the Parsee theatre tradition which in turn has been miniaturised on the two dimensional rectangular television screen. It has also been seen for many years in numerous stagings of the Ramlila held in many parts of India, most notably in Ramnagar where the *lila* extends over the entire town for a month. The fact that the *Ramayana* has survived its diverse 'inventions' testifies not only to the innate richness of the epic and its deep significance to most Indians, but it also reveals the phenomenal viewing capacities of the Indian spectators who are capable of seeing the illusion of an image with or without its technological mediation. Sometimes, if they feel inclined, they may focus only on the technology such as a special effect in the *Ramayana* serial, and applaud its sheer virtuosity. But at other moments, all that matters to them is the vision that they alone see, which is precipitated by the representation and yet detached from it.

Darshana is capable of subverting technology. Even if an Indian spectator may not be fully conscious of his seeing capacities, there is nothing quite like his ability to see God within an actor's frame. Nor can one underrate his capacity to tune in and out of an image. While avant garde circles in America and Europe may cultivate the faculty of selective inattention, it seems to me that this comes very naturally to our spectators. Particularly in our rural and *mofussil* audiences one finds an almost collective concentration and dispersal of energies. One moment could be totally rapt as the spectators see a divine presence on stage. This could be followed by a very candid and frequently critical response to the representation on the level of pure theatricality. Still at other moments the play could be seen in a state of collective somnolence. But then at just the appropriate moment in the narrative, everyone could be awake and totally absorbed in the action on stage.

I dwell on this enormously flexible seeing process because it may be one of the contributing factors to our "invention' of tradition. Certainly it would be wrong to say that it is only "artists' who are capable of invention. What seems more pertinent (though harder to substantiate) is that there is a collusion between the artist and the people regarding the nature and limits of invention. At this point in time, one can say that technology has not yet co-opted the "visionary" possibilities of seeing assumed by our spectators in their viewing of myths. But in time to come, as these performances get increasingly commodified and the onslaught of the media becomes more fierce, it will be critical to see how the viewing capacities of our spectators will be altered. Will they still be able to see what they choose to see, and are willed to see, or will they be numbed into total passivity? Will the 'inventions' of tradition on the media create new myths or will they simply reduce myth to the level of commercials?

Environmental Changes

Apart from the mediation of technology in determining 'inventions' of tradition, there are more practical matters that affect the changes in traditional forms. A year ago I attended a Ramlila performance in the village of Amaur near Kanpur to find a permanent Ravana made out of stone. I could scarcely conceal my disappointment that the principle of burning the demon god, so essential for the celebration of the *lila*, had been ignored for economic reasons. It is too expensive to burn Ravana every year, I was told. After all, this is a small village, not Ramnagar. Only later did I realise that Ravana had been burned, but symbolically through his headgear and weapon, which were made out of paper and wood. The rest of his body remained indomitably cast in stone, but nonetheless he had already been burned.

These paradoxes of faith reveal the acute consciousness of our people both to everyday matters of survival and the endurance of faith. For them, it is not a matter of using tradition (as it is for us in the so called contemporary theatre), it is a question of *living* tradition and making the necessary adjustments to keep it going. If a traditional performance dies, then may be it was meant to, because it could no longer be sustained either economically or socially.

About the worst attitude to tradition is to incarcerate it within an immutable form that ostensibly never changes. If tradition lives today, it is because it has always changed in the course of its history. How it changes within its own performative and cultural context is frequently undocumented and even forgotten, because the change occurs slowly, organically, in deference to the larger needs of its community.

It is only in recent years through interventions like tourism, film documentation and interculturalism that the changes in 'traditional" performances have become at once more visible and swift. It could also be that we have developed a new awareness, a post colonial consciousness, of what was previously taken for granted. In this context I believe that one must differentiate between those changes which are intrinsic to the growth of a traditional performance, and those which are imposed on it through external intervention, though I must acknowledge that it is sometimes difficult to differentiate between them.

When I hear, for instance, of how a Theyyam performer has of his own accord incorporated a flashing electric bulb into his headgear to enhance his sense of the demoniac, this seems like a perfectly valid response to electricity, an intervention in the rural performer's world. The change in the costume is intrinsic insofar as it comes from the performer's response to his changing environment. On the other hand, can I deny that I am disturbed to see neon lights in a *koothambalam* where, ideally the *koodiyattam* performer should be watched in the glow of the *vilakku*, his eyes illuminated by the fire in the lamp? The problem with this use of electricity is that it does not seem to bother the performers themselves. It is my aesthetic sense that is jarred, revealing my own 'taste' and cultural conditioning.

Still more problematic is the transportation of a traditional performance from its own environment to a proscenium bound air conditioned theatre in New Delhi or a *mela* in Paris. This environmental change alters the very context of the performance. In some extravaganzas the performers are merely slotted into a spectacle over which they have no control. Reduced to exotica, they resemble spots of colour without mind, body or soul.

How does one accept these changes in performances resulting from altered environments?

(1) In the case of the Theyyam performer, one cannot but appreciate the sheer ingenuity of the performer in incorporating a historical change (electricity) within the framework of his costume. Here one senses an organic relationship between the environment and the performer.

(2) In the case of the neon lights in the *koothambalum* one can accept these lights as useful even though they fail to enhance the energy of the performance. At best one could say that the performer learns to accept them and then forget them, not unlike classical singers who have adjusted to the sound of the harmonium. In the long run the use of conveniences like neon lights and harmoniums is perhaps best accepted as a compromise—useful but not particularly creative.

(3) In the case of the altered environments provided by proscenium theatres and spectacles, it is difficult to accept their impositions on the choices of the performers. Inadequate exposure to these spaces, and more specifically to the power relationships embodied in them, create an imbalance between what the performers are ready to give and what is expected of them from a foreign clientele.

In such spaces the performers invariably fail to represent themselves. Rather they are represented by the environments themselves, and by all the values—political, social, commercial—embodied in them. This does not mean that traditional performers should not perform in these "alien" spaces, but new

mechanisms and relationships need to be explored whereby performers have more time and power to control their representations

* * *

INVENTING THE "FOLK"

Expertise plays an important role in determining categories in which "tradition" can be placed One such category is the 'Folk', which received an official sanction at the First Drama Seminar organised by the Sangeet Natak Akademy in 1956 Inaugurated by S Radhakirshnan, who was then the vice-president of India, the Seminar was part of a series that was intended to serve as a cultural counterpart to Nehru's five year plans The intention of the Akademy was to hold "one seminar every four years for each of the arts of dance, drama, music and film"

Predictably, in the immediate wave of post-independence nationalism there was a definite drive among the participants to uphold the "Indianness" of Indian culture Some of our most prominent artists and cultural figures, including Mulk Raj Anand Kamaladevi Chattopadhyay, Balraj Sahni Sombhu Mitra, and V Raghavan pondered a wide spectrum of immediate problems They included the ownership of theatres censorship laws, the Dramatic Performances Control Act, entertainment tax and almost as a secondary issue, the state of folk drama"

One should remember that "folk theatre had not yet become fashionab' and that the models of "professionalism" in theatre continued to be European Nonetheless there was a fervent attempt in the seminar to confront "traditional" sources for the rejuvenation of our theatre The most animated discussion in this regard was the one relating to *bhavai*, where the conflicting views of the participants reveal some of the deeply entrenched premises and problems underlying the urban construction and use of 'folk theatre" in India today

First of all it becomes very clear from the discussion on *bhavai* (as from the seminar in general) that the Indian theatre had already become regionalised with 'experts' representing each state The "folk drama" as a category had also been regionalised No attempt was made in the seminar to situate the concept of the "folk' in a larger historical perspective—to see, for instance, how "folk forms" became vehicles for contemporary political content during the IPTA days, thereby revealing the innate urban assumption that the "folk" is not contemporary Like a vessel, it has to be 'filled" with new ideas and political content Instead of questioning such assumptions, the participants of the seminar seemed to totally accept the validity of "folk drama" as an adequate category in which to confront the specificities of rural cultures in India

Before proceeding with the discussion on *bhavai*, I believe it would be useful to reflect on the morphology of the term "folk" in the Indian theatre. Since the participants in the seminar did not question their use of this deceptively simple term, it is necessary for us to do so here.

It is not clear when the term "folk" entered the vocabulary of the Indian theatre worker Certainly, it became popular during the IPTA movement when urban artists were compelled to discover their "roots ' in rural cultures What needs to be emphasised is that the 'folk ' has become an established category in the Indian theatre today Actors and directors use it freely without questioning its obvious yet diffused links to the word "people' Nor is it assumed to be a ' foreign word anymore so than 'tradition ' which is used more readily than the Indian equivalents of *parumpara* or *sampradaya*

Even in the academic world of folklore studies, it is significant that Indian equivalents for folklore' have been established only in recent years (Claus and Korom 1988 p 32) The diffused use of the term folk in Indian contexts could be related to the fact that our established culture refused to accept it as a respectable object of study As late as 1932 the Indian folklorist Sarat Chandra Roy had lamented the fact that 'folklore ' had not received the attention in India that tradition' was beginning to receive in discussions conducted by the Indian Science Congress, the Oriental Conference and the Bombay Historical Congress (ibid p 31) Four years later in 1936 when Chelat Achyutha Menon published *Ballads of North Malabar* We are told that it was the first book of its kind in Kerala that raised the subject in public estimation by persuading the ' educated Malayalee that folk studies had a "place in the cultural life of the country ' (Raghavan 1945, p ii)

In the context of the class and caste consciousness of the educated Indians it is not surprising that the ' folk were associated not just with people ', but common people Perhaps peasant was one of the closest associations with the word "folk in its early history Countering this history of prejudice the IPTA movement glorified the 'folk' in the context of the freedom struggle The folk ' became emblematic of our 'lost heritage and ' authentic history that we were determined to reclaim from the British

Along with the patriotic aura surrounding the folk" in IPTA there is also an inner tension underlying this word with specific reference to "people' In the initial phase of the IPTA movement when it was only too easy for artists with vastly different economic and political backgrounds to subsume their differences under the immediate pressures and lure of patriotism, one could say that the "folk" and the "people" embraced each other's needs But there was also an unspoken assumption that it was the folk" who performed for the 'people", not the other way around We don't speak of the "folk" watching a "people's performance", it is "people" who watch a "folk performance"

Unavoidably, it was "people" who were viewed in a more corporal light, they were "flesh-and-blood" figures who constitute the "mass" The "folk", on the other hand, were inextricably linked to *forms—burrakatha, tamasha, nautanki* Even today, I would argue that in the nebulous vocabulary of the Indian theatre artist, and his even vaguer social consciousness of his means of production the folk ' has been disembodied from the needs of the ' people ' Quite literally, it has become a nomenclature for a wide range of supposedly non urban performance traditions that are primarily enjoyed by urban audiences

Significantly, for those IPTA artists with a more politically active ideology (inevitably Marxist), who favoured a realist intervention in the arts modelled on Bijon Bhattacharya's *Nabanna* it was the rhetoric of 'the people that dominated over the folk' Not surprisingly this group can be most strongly identified with the Bengal front of the IPTA movement If it is not too much of a witticism, I should emphasise that after independence the "people ' stayed on in West Bengal, while the ' folk eventually gravitated in the direction of New Delhi, which is the centre for all folk related activities including the handicrafts and the cottage industries This is the centre where tradition is invented 'manufactured ', and 'exported with an increasingly efficient and centralised system It is also the centre where definitions of Indian culture' are made and disseminated

* * *

To return to the Drama Seminar in New Delhi one notes that folk drama was defined not so much through an analysis of the term (which was taken for granted) but through a debate as to how one should intervene in "folk culture The underlying thrust of Dina Gandhi s address on *bhavai*, which provided the source of the debate on folk drama was not Why should we intervene? ' but rather, We must intervene now How do we go about it? ' Part of the problem with her suggestions as with most urban recommendations for the 'folk arts", is that she assumed an empathy with the folk artists and then proceeded to represent them as if she were speaking on their behalf In the process her own use of these "folk forms became confused with their ' indigenous ' state of being which she lamented, was in a state of decay if not total extinction

From Gandhi s address, it becomes obvious that her concern was not only for the 'folk form and it 'extraordinary life force ' but for its artists who were going to be wiped off due to neglect unemployment and actual starvation" ("Discussion on Bhavai" p 111) Instead of confronting this crisis through active involvement, however, Gandhi recommended "researches and studies" which could confirm that *bhavai* had "a definite contribution to make to our culture" (ibid) In retrospect, this priority given to research is problematic since

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2	Capital structure of the applicant organisation	Authorised Capital Equity Share Capital Rs 1 000 lakhs Issued, Subscribed and Paid up capital Equity Share capital – Rs 130/
3	Management structure of the applicant organisation indicating the names of the Directors including Managing/Whole time Directors and Manager if any	The applicant company is managed by a Board of Directors The following are the Directors of the Company Mr Sanjiv Goenka Chairman Mr R P Kanoria Mr H L Sethia Mr B L Chandak Mr Rajeev Khaitan
4	Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division	The proposal [illegible] Export Oriented [illegible]
5	Location of the new undertaking unit/division	Saidapet [illegible] Tamil Nadu
6	Capital structure of the proposed undertaking	Equity Capital [illegible] 168 00 crores
7	In case the proposal relates to the production storage supply distribution marketing or control of any goods/articles indicate	

Name of goods/articles	Licensed Capacity MT	Annual turnover (Rs in crores)
(i) Ethylene	450 000	319 50
(ii) Propylene	295 000	119 80
(iii) Butadiene	80 000	68 16
(iv) Benzene	100 000	42 60
(v) Gasoline (High Octane)	200 000	51 12
(vi) CBFS	60 000	9 11
(vii) C 4 Raffinate	55 000	15 69
(viii) Fuel Gas (Hydrogen Rich)	60 000	5 54
		631 50

8	In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc	Not Applicable
9	Cost of the project	Rs 840 00 crores
10	Scheme of finance indicating the amounts to be raised from each source	Rs 168 00 crores through equity and the balance through borrowings from various sources

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Sd/
(B L CHANDAK)
DIRECTOR

Dated 18th August 1989

PRESSMAN

it almost seems like a pre-condition before the *bhavai* artists can be "saved" Gandhi seems oblivious of the ironies involved in conflating the economic necessities of the *bhavai* performers with the need to develop their artistic potential For her, the "sacred duty' of 'emancipating' the folk artists could come about only through the organisation of a research centre a training school for the traditional performers and a careful study of *bhavai* texts so that 'spurious interpolations can be eliminated' (ibid)

Countering Gandhi's advocacy of intervention the extremely sophisticated and westernised Alkazi then spoke up in the seminar for the people We want to educate the *bhavai* artists he said But we do not for a moment consider that the nearer they reach us the quicker would they discard the arts of their forefathers (ibid p 120) Then also in response to the so called crudities and vulgarities entering the *bhavai* form he asked Should we be so prude and puritanic as to evaluate every art in the light of our own moral code? (ibid pp 120 21) More prosaically he affirmed that we should not poke our noses in this affair because we do not really know what would exactly be good for this form and for its exponents (ibid p 121) The job should be left to anthropologists

Though predictably there was resistance to this suggestion an anthropological intervention is scarcely less neutral than an artistic one - the debate between Gandhi and Alkazi does resonate even today despite a sense of *deja vu* We have heard their positions before in other post independence contexts and we continue to hear them even now While Alkazi seemed to accept the inherent distance culturally and socially between the urban and the folk artist thereby upholding his innate elitism Gandhi wanted to bridge the gap in some meaningful way Yet this bridging could scarcely be seen as altruistic As Balraj Sahni pointed out with reference to Gandhi's production of *Mena Gurjari* which contemporised the folk form (notably by eliminating the male impersonation of women) these experiments in folk drama were a valuable source of growth for our own [urban] theatre' All Gandhi wanted to do according to Sahni was to 'revitalise her own art and to retain as much of *bhavai*'s indigenous qualities as a sophisticated audience would be able to appreciate (ibid p 122)

This is about the most honest statement that one could hope to find about the urban use of form forms Let us acknowledge that this "use is more useful to the urban artist than to the "folk' who inspired the creation Folk drama' is essentially an urban construct that cannot claim to be entirely 'indigenous (and therefore 'authentic") It is a simulation of the folk form' sufficiently "indigenous" (yet not entirely *desi*) to win the approval of urban audiences The clientele of "folk drama" is not the "folk", but city people who need to be reminded of their "roots" and "native places" from which they are irrevocably displaced

YAKSHARANGA A CASE STUDY

Among the few inventions of performance traditions that have been acknowledged as 'inventions' rather than 'reconstructions', which have been specifically made with urban audiences in mind, one must include Shivaram Karanth's creation of Yaksharanga This can best be described as a balletic unified music cum dance form" adapted from Yakshagana the most popular traditional form of Karnataka The impulse that led to the invention of this form and the cultural assumptions underlying it are worth examining in detail even though Yaksharanga may not be particularly memorable in itself Nor has it contributed to the rejuvenation of Yakshagana at large Rather it can be most accurately examined as an individual response to a particular tradition that Karanth himself would prefer to see as a creative extension of the traditonal form (Rea 1978 p 59)

However as the very alternation of the word implies Yaksharanga is not an organic development of Yakshagana Karanth has *selected* those aspects of the tradition that are most meaningful to him to which he has added his own contributions and manipulations In his experiment, one realises the validity of Raymond Williams' acute observation about tradition namely that it represents a selection and reselection of those significant received and recovered elements of the past which represent not a necessary but a desired continuity (Williams 1981 p 187)

One could say that Karanth's Yaksharanga is the manifestation of his 'desire" to see Yakshagana within the contours of his vision However when he first started his research it was neither arbitrary nor entirely subjective He needed to authenticate the history of Yakshagana before extending or deviating from its principles His passionate search for old manuscripts and *prasangas* (narratives) meetings with gurus and musicians eventually culminated in a seminal thesis on Bayalata which literally means open air plays and which serves as a nomenclature for a wide range of forms relating to Yakshagana Through his study Karanth was able to contribute important perspectives on *raga tala* costumes and stagecraft But this expertise did not compel him to reconstruct Yakshagana in an antiquarian mode Rather it stimulated him to find points of departure for the performance of Yakshagana as he envisioned it in our world today

This impulse to confront tradition in order to concretise a personal vision in a rarity in the contemporary Indian theatre One may not agree with Karanth's choices but one cannot deny the intensity of his convictions At a time when tradition is generally regarded with difference or the most abject deference, it is heartening to hear the "rebellious"voice of an octogenarian

> To me, tradition is no dead corpse, merely to be worshipped for its own sake. Like language, it has to acquire, when necessary, new words and new meanings, while many old words will naturally be lost For any change to be valid its nature has to be relevant to its content Form and content go together Yakshagana is no exception

It was by redefining the "content" of Yakshagana that Karanth was compelled to make some of his most controversial changes

Significantly, he did not merely locate this content" in the *prasangas* sung by the *bhaguvata* (the first person"), but in the rhythmic content" embedded in Yakshagana's intricate footwork and walks His purpose was to find appropriate links between the "emotional content of the *vacika* (speech) and the 'rhythmic content' of the *angika*, (body) which are normally kept apart Any element that interfered with this 'unifying" impulse was summarily discarded

In order to ensure 'a harmonious aesthetic experience Karanth made one of his most radical and controversial choices he eliminated the improvised dialogues between the actors which may be one of the most popular elements in traditional" performances of Yakshagana today Karanth felt that the transition from music to prose created an unbridgeable gap" resulting in dissonance disharmony non art" (Rea 1978 p 60) Though this perception is precise its assumptions are questionable Certainly there is a break when the *bhagavata*'s third person narrative is interrupted by the first person exchanges between the actors But this dissonance" this shift in voices one could argue is what gives Yakshagana its theatrical immediacy, its jolting momentum Nor is it entirely accurate to say that the narrative and the dialogue duplicate each other Apart from the significant differences in *utterance* of the *bhagavata* and the actors the latter elaborate on the details in the *prasanga* in response to the immediate performance situation

Of course this element of improvisation (intrinsic to all folk traditions) is precisely what Karanth distrusts He finds the verbosity of the actors 'tasteless" and monotonous What is perhaps at stake in his disapproval of the actor's licence is that he as a director can have no control over it It is obvious that despite his reinstatement of the *bhagavata* (who traditionally functions as a director *during* the performance itself) Karanth is not prepared to relinquish his own power as a director, both on stage and during the rehearsals In this regard, it is well known that he directs in the "tyrannical tradition kicking and slapping his actors if they fail to match his energy Though his personal limitations as a dancer and confusion of *tala* are also well known, no one has the guts to question his pedagogy Besides his passion for the art is strong and infectious, and most artists have no choice but to submit to it

What would have happened, however, if Karanth's energies could have been match-

ed by legendary artists like Sreni Gopalkrishnana Bhatt? It appears that during one performance while playing Ravana Bhatt interrupted the Bhagavata on his very first question "Are you justified in abducting Sita?" and spent the entire night *pushing* Ravana's set with the most sophistic[illegible] legal casuistry (Kambar p 3) Surely the elimination of this sort of *tour de force* in favour of [illegible] aesthetic harmony would have been a lo[illegible]

One [illegible] compelled to question whether harmony is an adequate compensation for the rough and immediate communication that takes place between actors and pe[illegible] [illegible] Instead of exposing the [illegible] of Yakshagana to risks [illegible] the possibility of interruption from the audien[illegible] [illegible] from complacency in the [illegible] traditions of [illegible] In this [illegible] of present [illegible] but works out a planned [illegible] [illegible] The lines of pro[illegible] [illegible] on all levels of the produc[illegible] [illegible] record which [illegible]

A [illegible] from his own directorial [illegible] on stage to which he seems oblivious Karanth [illegible] the limits of the proscenium theatre He also endorses the cultural assumption of such space which determine (among other factors) the duration of a performance Instead of an all night open air event performance of Yakshagana where the performance is just a part of many other activities including eating [illegible] chewing [illegible] and keeping [illegible] Karanth accepts that a three hour proscenium presentation of Yakshagana is perfectly adequate for an appreciation of its subtleties His purpose is to produce neither an authentic Yakshagana nor a tourist show but a well made ballet that is tightly co-ordinated accessible and eminently exportable

In this context one cannot deny that Karanth's structural changes in Yakshagana have been made with foreign audiences in mind For instance the high pitch of the *bhagavata* songs has been lowered so that it is now more congenial to western ears The inclusion of a saxophone and a violin have also enhanced the overall harmony of the musical score In addition of course the dialogue has been eliminated thereby removing the possibility of alienating non Kannada speaking audiences

Ironically there has been a counter move to Karanth's changes by Martha Ashton the American expert on Yakshagana who has favoured a more traditional representation of the performing art with all its accessories and dialogue At one level she is more authentic than Karanth though her knowledge of Yakshagana is derivative (Karanth himself guided her doctoral dissertation on the subject) Though her awareness of Kannada culture cannot be compared to Karanth's prodigious knowledge of his state which encompasses not just the arts and literature but geology botany architecture and science as well Ashton has become the "authentic representative of Yakshagana abroad while Karanth remains something of an "anti- traditionalist" in his own home.

At this point I should emphasise that the essential limitation of Yaksharanga does not lie in its apparent "inauthenticity" but in its construction and acceptance of an aesthetic that invites passive consumption Like other urban re envisionings of 'folk forms' Karanth's experiment seems to have diluted rather than strengthened the energies of the 'folk' It is particularly sad in this regard that no one has challenged Karanth's work through another experiment One should accept that all experiments with traditional forms are necessarily partial and incomplete They need to be questioned and extended by other artists not through polemics or reform but through further explorations that continue where the first experiment left off Our tragedy in India is not that there are iconoclasts like Karanth who do what they want in accordance to the inner necessities of their vision but that there are not more people like him who can invent tradition with a consciousness rooted in the immediacies of their lives

Instead of generating more experiments however Yaksharanga has merely but successfully commercialised its practice through numerous tours and official performances that have been adorned with all the hype one associates with our burgeoning cultural trade This bureaucratisation has been masterminded by Haridas Bhatt who has a formidable talent (by Indian standards) to promote the performing arts through printed matter booklets brochures leaflets with titles and captions like Yakshagana Goes to Egypt Bon Voyage from Chief Minister and Pride of Karnataka

To highlight some of the assumptions underlying Bhatt's salesmanship a quote from one of his articles will do

> During the years 1978 [illegible] the Yakshagana [illegible] performance in six cities of India right from Meerut to the southern most Tamil Nadu and thrilled thousands of enlightened art lovers A French artist after observing the *Naladamayanti* of Yakshagana opined that this was the very best variety of contemporary dance drama forms of India The national dailies of Bombay and Madras wrote in no uncertain terms about the artistic superiority of the form Scholars who known the secrets of the world theatre forms have declared that Karanth's creation can certainly place Yakshagana in a still more elevated position in world theatre
>
> As I was in charge of managing Yakshagana in its tours of other states of India and abroad I have seen the impact that this theatre form makes on audiences everywhere
>
> **Unlike other classical dance-drama styles this folk form (which is also semi-classical) reverely the theatre for all (Bhatt, p 9)**

Unavoidably, one is struck by Bhatt's need to confirm Yakshagana's worth through foreign endorsements and the standards of "world theatre" Also to be noted is his scarcely concealed chauvinism in asserting Yakshagana's artistic superiority over other traditional forms in India As for Yaksharanga it is the theatre for all

While criticising Bhatt's reduction of art to public relations one should also acknowledge that the very accessibility of Yaksharanga has lent itself to a process of commodification The sad reality however is that there was much thought and passion in Karanth's experiment that have failed to resist commercial pressures Once again bureaucracy has proved to be stronger than art And consequently Yaksharanga has no alternative but to petrify into another form without inspiring any significant change either in Yakshagana itself or the use of folk forms in the Indian theatre today

THE THEATRE OF ROOTS

Despite its limitation Yaksharanga is at least an intelligible form related to a traditional performance In contrast most experiments of tradition in the contemporary Indian theatre have merely borrowed a stock of techniques and conventions which have been recycled in a rather facile and decorative manner Though many of our tradition inspired and folk productions have been entertaining and visually pleasing they have totally failed in my view to contextualise their borrowing in a responsible manner Nonetheless they have earned a tremendous respectability and official recognition over the years In fact they have even been formally categorised by Suresh Awasthi one of their most ardent supporters as belonging to the theatre of roots in which he includes our most established artists like Habib Tanvir B V Karanth Ratan Thiyam K N Panikkar and younger directors like M Ramaswamy and Kartick Awasthi

It would not be irrelevant to examine how this tradition inspired theatre corresponds to the rise and fall of Awasthi as an important cultural official in New Delhi In fact he charts his own role in the development of this theatre in his rather simplistic Defence of the Theatre of Roots in a special issue on the subject published by *Sangeet Natak* Significantly during the First Drama Seminar (which I discussed earlier) where Awasthi had presented a

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paper on folk forms in the Hindi-speaking region, he had not been particularly vociferous. This was the period shortly before Alkazi had taken over as director of the National School of Drama, where the Indian theatre would have to be professionalised (in the tradition of RADA) before it could become indigenous.

Even in 1961, when Awasthi had organised a national seminar on 'Contemporary Playwriting and Play Production', as the general secretary of the Bharatiya Natya Sangha, he claims in his Defence that he was dubbed a 'revivalist' for promoting ideas relating to the relevance of traditional forms. Between 1965-1975, however, when Awasthi served as the general secretary of the more prestigious Sangeet Natak Akademy, he had more power to organise performances, festivals, seminars and exhibitions, primarily in New Delhi. A notable meeting was the National Foundation on Contemporary Relevance of Tradition in Theatre, in 1971, by which time the so-called new theatre had already established a credible confidence and vocabulary (Awasthi 1985, p 87).

Perhaps this was the heyday of both the theatre of roots and Awasthi's career, which has involved the dissemination of traditional Indian theatre to far-flung countries like Japan, Greece and the United States. Today, however, after his brief tenure as the chairman of the National School of Drama and his removal from the limelight, it is as if the theatre of roots has regained the status of a rather tired focus in commemorative movement, that has come full circle.

* * *

From Awasthi's Defence, it becomes clear that he thinks about tradition through dichotomies and the most generalised categories. Invariably, the theatre of roots is set up against the western realistic theatre, which forms part of our decadent cultural inheritance. By turning to our roots, it appears that our artists have been able to reverse the colonial course of contemporary theatre and put it back on the track of the great *Natyasastra* tradition (ibid, p 85). The fact that realism might have inspired Indian narratives, histrionics and performance structures, as in the vibrant and profoundly Indian company theatre traditions to be found all over the country, is a reality that Awasthi does not seem to consider. What matters is to establish a direct line with the *Natyasastra* itself. Only then, or so Awasthi implies, is it possible to be authentically Indian.

Is there *an* authentic Indian tradition? This most pertinent question is raised by Anuradha Kapur in her study of the Ramlila. For Kapur, authenticity is a category of thought intrinsically linked to post-colonial pre-occupations with "identity" and "roots", which are themselves constrained within the polarities of east and west (Kapur 1988, p 5). By setting up our tradition as "true" against the encroachments of a "foreign" culture, we "manufacture" a history of tradition that is 'basically moulded by the west insofar as it is posited as its exact alterity" (ibid, p 6). Rather like the orientalists of Europe who saw mythical points of origin in the languages and philosophies of the "distant East", we too 'orientalise' our past by refusing to confront the mutations of our history. We prefer the mythical sanction for *Natyasastra* to an examination of the contradictions, details, and interpenetrations of our multilingual, multicultural society.

One searches in vain for some self-questioning in Awasthi's Defence, only to confront generalities. We are told, for instance, that one of the distinguishing features of the theatre of roots concerns the rejection of the proscenium. Apart from padding this section with totally gratuitous references to Badal Sircar and E Alkazi, who most emphatically do not belong to this tradition, Awasthi includes his two primary representatives, K N Panikkar and Ratan Thiyam, who have not worked in predominantly non-proscenium conditions. Where are the theatres in India to support the conditions? Thiyam's theatre I would say has been strongly influenced, if not constrained, by his exposure to the proscenium theatre as represented to him by his mentor, Alkazi, at the National School of Drama. His framing of action, timing of exits and entrances, literal groupings, use of the cyclorama and, above all, his total refusal to confront the audience with breaks in the narrative or direct address — these are conventions that strongly uphold the illusion of the fourth wall.

When Thiyam has worked outside of the proscenium, it has been for non-traditional plays like *Dog and Impala*, which has been structured on the lines of Sircar's Third Theatre. Neither Panikkar nor Thiyam, to my mind, has found ways of altering the mode of perception from which their productions have to be viewed, and therefore Awasthi's superficial allusions to traditional practices like *pradakshina* (circumambulation of the temple) are totally out of context. So also are his references to the intermingling of the performance space and the audience space, which belongs to the environments of the Ramlila rather than to the proscenium-bound spectacle of the theatre of roots, where the seats and the stage are rooted to the ground.

The second generalisation that distinguishes (or rather obfuscates) the theatre of roots is stylisation. Without attempting to define this most nebulous of terms, Awasthi claims that it has brought about a 'revolutionary change' in the art of the actor and the transformation of the dramatic text into the performance text. In contrast to realistic theatre, the impact of staging signs in the stylised theatre is maximised and their number multiplied (Awasthi 1985, p 89). It doesn't help to be told that the plasticity of stylisation is to be found not only in Koodiyattam and Kathakali, but in the 'Ajanta murals and the sculptural tradition' as well (ibid, p 92) ("Sculptural tradition"? Of what?). As if these pan-Indian interdisciplinary references were not enough, Awasthi includes pan-Asian references to Noh and Kabuki to enhance the authenticity of his "theatre of roots".

One tires of Awasthi's interminable capacity to list 'traditional' elements like half-curtains, head-dresses, 'stirring' exits and entrances that reduce the *Natyasastra* tradition to a pitiful parody. How, for instance, does it help to be told that Panikkar uses the 'sing-song delivery of Koodiyatam" or that he 'follows traditional theatre and *Natyasastra* prescription' by making Bhima and Ghatotkacha enter to the accompaniment of drums (ibid, p 97). Or that Ramaswamy's chorus in *Antigone* danced 'beautifully because the movements of the traditional dancers were based on the ritual dance Devarattam'? I mean, *Why* Devarattam? Surely there must be some link between the inner energy of Devarattam's movements that illuminates the text of *Antigone* in some specific way. We cannot simply turn to traditional forms because of their beauty or stylisation or sculpturesque quality. *What do they mean to us?*

This mindless simplification of forms" has been shaped and endorsed by the official sanction given to the decontextualisation of tradition in our theatre today. If institutions like the Sangeet Natak Akademy were less interested in forms and more concerned about the historical impulses and mutations underlying these forms, our young generation of theatre people would not be so lost. And yet, how can one blame them if the most illustrious representatives of tradition in contemporary theatre fail to question their own implicities?

Even in the productions of Thiyam and Panikkar, in whose craftsmanship there is much to admire, I for one am left hungering for content, for some link to our world that accentuates the turmoil and contradiction, the pain that these very artists must have suffered as 'tradition-inspired" Indians who are nonetheless alive in Rajiv Gandhi's India. Strangely enough, it is in traditional performances that one is more likely to find this link than in the so-called contemporary productions of the theatre of roots.

When I see Abhimanyu in a Terukkuttu performance flogged to death with a handkerchief, each flick resulting in a dismembering of his limbs, juxtaposed with cleric refrains in which the world mourns for his untimely death, I am strangely alerted to the banality of violence in our everyday lives. Perhaps this is an impure reaction, but it feels more valid to me than the passivity I succumb to while watching Abhimanyu die in Thiyam's production of *Chakravyuha*. Here, in this picture frame, where grief is so beautifully modulated, I am left unconvinced by the representation. What resonates is the craft of the proscenium tradition dressed with the trappings of ethnicity.

Obviously, our Abhimanyu cannot be the crude farcical genius of a performer in Terukkuttu whose very form embodies the mythical reality of the character. We need to create our own forms for Abhimanyu today in accordance to our perception of what he means to us today. We can do this

not by imitating traditional performances or seeking a false lineage with the past but rather by confronting the tradition *in* us that has been dislocated fractured reassembled and transformed through layers and dissimulations of our history

We need to reject the easy inheritance implied through categories like the theatre of roots and accept Eliot's stern (yet curiously valid) advice that tradition can be obtained only through great labour This involves a cultivation of the historical sense which provides a perception not only of the pastness of the past but of its presence (Eliot 1969 p 49) This presence must live in the indissolubility of form and content in our theatrical representations which today is merely assumed without being fully suffered or questioned

To our traditional theatre we must pay respect not to sentimentalise its secrets or out of false reverence but to acknowledge that it has already absorbed our future in its presence For us I believe it is not a question of returning to tradition but rather of catching up with its immediacies incarnated through eternal ever changing truth

BEGINNING

There are two images from our mythological tradition that seem relevant to this discussion or rather my need to intervene in its history At one level the images are quite unrelated separated by narrative and time one is from the *Mahabharata* the other from the Punjabi legend of Puran Bhagat And yet at a subterranean level these images are united through their advocacy of what I must call violence Today we could do with some of this violence in our suffocatingly safe theatre

In the *Mahabharata* there is that memorable moment when Yudhishthira receives permission from Bhishma to kill him The father legitimises his own death at the hands of his son Violence receives a paternalistic if not divine sanction It is now Yudhishthira's *dharma* to kill Bhishma

There is a different kind of violence in the story of Puran Bhagat which does not involve killing but rather a rejection of the father and whatever he represents family kingdom state authority love After being incarcerated in a dungeon for the first twelve years of his life then exiled and later imprisoned Puran Bhagat goes through many trials and humiliations before he acquires the self realisation of a *yogi* In the final episode when his father begs him to take over the kingdom Puran rejects the offer 'If you cannot govern your kingdom let it go to the dogs I will have none of you and your belongings I am a *yogi* I must go' (Gill 1986 p 146) And he *leaves* without any attempt to reconcile differences or to affirm traditional ties

In Puran's exit one finds a paradigm of rejection I do not believe that there is a single artist in the Indian theatre today who is prepared to "reject tradition as resolutely as Puran turns away from his father and inheritance Perhaps this is a totally unfair demand on my part Maybe our artists are still too close to tradition' (or whatever they make of it) to dissociate themselves from its hold in order to pursue their own journeys in theatre

At the same time they do not believe that they have the right to kill tradition with as much respect and fervour as Yudhishthira kills Bhishma Perhaps they have not yet received the inner sanction to fulfil this necessary task It is safer therefore for them to fold their hands and deify tradition perpetuating deference and cowardice

Unable to reject or kill (which in artistic terms would involve a subversion of the traditional form) our theatre artists remain in limbo They don't know how to free themselves from tradition or live with it without compromising on their own truth In the meantime they invent tradition not so much from an inner necessity but in deference to larger cultural and political factors that favour a sanctification or dressing up of the past

It is time to end this facile use of our tradition Instead of bothering with the minutiae of hand held curtains masks make believe *poorvarangas* and stirring exits and entrances to throbbing drums we need to ask ourselves some crucial questions *What is our sacrifice in theatre today? Who are we performing for in the absence of gods? Who are the new vighnas who have to be fought and killed on stage? How can we transform ourselves through theatre? What are we celebrating on stage?*

I ask these questions not because I have the answers but because they seem necessary to begin a confrontation with tradition that could transcend its "inventions" in our theatre today

[All references to the First Drama Seminar organised by the Sangeet Natak Akademy including Discussion on *Bhavai* are taken from a printed documentation of the entire Seminar which unfortunately does not identify either the publisher or the date of publication]

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Growth Performance of Indian Electronics under Liberalisation

K J Joseph

The Indian electronics industry is still in a nascent stage of development contributing less than five per cent of the country's industrial output However, in the recent years there has been an apparent improvement in the growth of output of this industry The present study is an attempt towards analysing this growth performance in terms of structural changes and impact on different facets of industrial growth income, employment and foreign exchange

THERE is an increasing recognition that industrial growth in India has picked up in the eighties in contrast with the stagnation since mid sixties [1] The growth revival is generally attributed to the greater play of market forces consequent upon the government's New Economic Policy which introduced an environment of liberalisation as against the earlier regime of controls A priori liberalisation policies would achieve a higher growth rate *inter alia* by industrial restructuring and diversification production of such industrial goods as the market forces determine would expand The improvement in the overall industrial growth would be the result of the rapid growth of certain industries and not necessarily across the board In fact the statistical evidence put forth in substantiation of higher industrial growth in the eighties is based on the revised index of industrial production (with 1980 81 - 100) wherein a higher weightage is given to such sunrise industries as electronics petrochemicals and automobiles [2] These new industries are the major ingredients of the growth recipe and among them electronics is the fastest growing one Electronics industry produces not only products that are in the nature of consumer goods but its products are processes in other industries hence it has higher linkages with rest of the economy Thus electronics plays a major role in the restructuring of the industrial sector Therefore it will be timely from the policy perspective to have a close look at the growth performance of this industry The present study is an attempt towards analysing the growth performance of Indian electronics industry in terms of structural changes and impact on different facets of industrial growth income, employment and foreign exchange

The Policy Background

Although the genesis of electronics industry in India can be traced back to the early 1950s, a concerted effort towards its development on modern lines was made only when the state came forward in the early 1970s and set up the Department of Electronics (DoE) and Electronics Commission The underlying strategy, in the initial years, was aimed at the development of a balanced and self reliant industry to meet the domestic requirements with a major role assigned to the public sector and small scale sector with little recourse to foreign capital and technology In nutshell the Indian electronics strategy in accordance with the then general industrial strategy aimed at import substituting self reliant and public sector led growth

The government gradually tended towards the view that the overemphasis on regulatory mechanisms acted as a stumbling block to the growth of the industry In terms of the recommendations of the Sondhi Committee [3] and in keeping with the general trend towards liberalisation in the early 1980s a series of policy initiatives were announced These included (a) a policy on electronics components (1981) (b) industrial and licensing policy for colour television (February 1983) (c) specific measures to further accelerate the rapid development of electronics (August 1983) (d) relaxation of the 100 per cent reservation of the telecommunication sub sector in the public sector (March 1984) (e) a new computer policy (November 1984) (f) integrated policy measures in electronics (March 1985) (g) a computer software policy (December 1987) In addition to these major policy measures there were a number of short term measures which exerted a significant impact on the growth of the industry In general these policy measures now shifted the industry from a regime of government controls and regulations to a liberalised one wherein emphasis is laid on minimum viable capacity scale economies easier access to foreign technology, relatively free entry to the private sector (including monopoly houses and FERA companies) with a view to make the industry modern cost effective and competitive

Thus there are two distinct policy phases in the development of Indian electronics industry, viz in pre liberalisation (before 1980) and post liberalisation (after 1980) We propose to analyse growth performance of the industry against the background of these policy phases

Growth Trends

The policy changes in the eighties had its impact on the growth and structure of the industry To illustrate, while the industry had grown (current prices) at an annual compound growth rate of 18 per cent during 1971 80, the recorded growth rate during the post 1980 period was as high as 33 per cent (see Table 1) This is found to be even higher than the growth rate achieved by South Korea during the period 1980 85 [4]

The analysis of growth rate in current prices as has been done here may be objected to There is the major problem of not accounting for the price changes The studies by BICP [5] and World Bank [6] have made use of the wholesale price index and worked out real growth rate at constant prices If such a procedure is employed the growth rate is less impressive though the post 1980 period still showed a pick up in growth rate Nevertheless a firm conclusion is not warranted There are serious problems in deflating output at current prices by using the wholesale price index To illustrate the electronic products are not adequately represented in the wholesale price index Prices and price-performance ratios of electronics products had declined during the period under review

Trend in Prices A Digression

Therefore we made an attempt at developing an implicit price index for the electronics industry For this purpose we collected the data on quantity and value of 151 products covering different product groups The price of different products calculated from the above was weighted with their respective shares The implicit deflator thus developed could not be extended before 1981 as the item wise data on production and value were not available for those years

The implicit deflator showed that there was a general decline in the real price of electronics products especially since 1983 The general price index for electronics (with 1981 - 100) has declined to 82 59 in 1986, though 1987 witnessed an increase to 95 72 However there were variations across different products and product groups The price index for the major sub sectors viz, consumer electronics professional electronics and components was also subjected to price decline (see the graph) The price decline was more pronounced in the consumer electronics where the declining trend started in 1982 What is common to all sub sectors is that 1987 seems to be a turning point where an upward trend in prices seems to have set in

The general decline in prices as we will see later in this section has to be viewed against the increased competition as a result of liberalisation leading to reduction in barriers to entry This is evident from the increase in the number of firms in different

products (see Table 2) The increasing competition and the consequent reduction in price could be illustrated with the case of personal computers

Personal computers (PC) were first introduced in the country by Minicomp a Bombay based firm in 1984 at a price of over Rs 1 2 lakh The next two years witnessed a price war by the leading producers By the mid 1985 Usha Microprocessors a Delhi based firm brought the price down to less than one lakh rupee HCL followed the suit by bringing it further down to Rs 0 8 lakh The price declined further to Rs 0 5 lakh with the entry of Wipro in early 1986 Competition became intense with the entry of Sterling Electronics which slashed the prices further down to Rs 0 30 lakh The price war seems to have ended when HCL, the present leader offered a PC with its minimum configuration (2 floppies 256 Kb memory 5 77 MHZ clock speed) at a price of Rs 20 000 Thus the price dropped by nearly 83 per cent in two years However during 1987 the price has been relatively stable either because the firms are reluctant to lower their margins or because they have formed the cartel The increasing concentration ratio in 1987 as compared to 1983 for different products (see Table 3) has to be viewed against this background

To have a comparative picture of the impact of price changes on output we have developed two series of output at constant prices using wholesale price index and implicit deflator respectively (see Table 4) During 1981 87 the output at current prices increased at an annual compound growth rate of nearly 33 per cent where as at constant prices using wholesale price index the growth rate was only 25 per cent On the other hand with implicit deflator the growth rate is marginally higher than what was observed at current prices This leads to the conclusion that the wholesale price index failed to capture the price reduction which the electronics industry was subjected to

Viewed thus the real output growth in Indian electronics industry was remarkably higher in the eighties Hence the output at current prices could be considered as a reasonable approximation of its real growth over the period under consideration

Growth Performance A Sectoral Analysis

So far we were focusing on the total output of the industry Electronics industry consists of a number of product groups On the basis of the technical specificity of the products one can divide them into equipment and components It is also possible to group them according to the level of technology embodied in them [7] However in order to capture their differential impact on growth of the industry it is preferable to divide them into three broad product groups, viz, consumer electronics, professional electronics and components This corresponds to the broad use pattern and consequently the consumption demand is entirely different More importantly, the nature of demand generated by these product groups differs in terms of their forward and backward linkages

During 1970s the three sub sectors viz consumer professional and components have grown in a balanced manner with the respective growth rates being 17 per cent 20 per cent and 17 per cent (see Table 5) However professional electronics had a dominant share in total production As professional electronics is generally viewed as being more technology intensive, some studies have attributed this dominance of professional electronics to represent the higher technological capability of Indian electronics as compared to Newly Industrialising Countries (NICs) [8] The above growth pattern has to be viewed against the background of the strategy of achieving a balanced growth in an integrated manner Accordingly the capacity creation for the component sector was planned on a derivative basis of the defined requirements of the equipment sector

In the post 1980 period the highest growth rate was observed in consumer electronics (nearly 40 per cent) followed by professional electronics (31 per cent) and components (26 per cent) The unprecedented growth of the consumer electronics sector was contributed mostly by television receivers The share of TV in the consumer electronics sub sector increased from 36 per cent in 1981 to 71 per cent in 1987 by registering 66 per cent growth More importantly at present the share of this single item in the total electronics output is as high as 28 per cent

The professional electronics sector consists of the following broad product groups viz telecommunication, defence, computers and control instrumentation The growth of this sector especially the latter two depends on the demand forthcoming from other industrial and service sectors of the economy and hence the diffusion of the electronics technology to other sectors As we have already noted during seventies it was the fastest growing sector of electronics with largest share in total production In fact it is this dominance of professional electronics and broad base of the industry that differentiated Indian electronics from those of NICs

Among professional electronics computers control instrumentation and industrial electronics were the fastest growing sectors during seventies But under the liberalisation of eighties, while the computers marked a still higher growth rate, the rate of growth of control instrumentation and industrial electronics remained almost stagnant Given the diversified industrial structure and the extent of replacement investment taking place in the Indian industrial sector one could have, naturally, expected a higher growth of the sector during 1980s The reason for not achieving a commensurate growth as compared to other sectors seems not so much due to constraints in the diffusion of electronics technology into the industrial sector but the inability of the electronics sector to meet the increasing demand and therefore leading to imports

The discussion so far reveals that in the post 1980 period the equipment sector as a whole registered a marked improvement in growth The moot question here is how did the component sector the building block of the industry, behave when the equipment sector was on a higher growth path? The component sector in the country consists mostly of consumer grade components (see Table 6) In the post 1980 period not only did the growth of components lag behind other sectors but its share in total production also declined from 20 per cent to 15 per cent This decline was not due to a shift in the composition of component sub sector from consumer grade to professional grade components Indeed the share of professional grade components declined Thus the higher growth of electronics in the post 1980 period

Table 1 Output and Growth Rates of the Electronics Industry at Current and Constant Prices 1981 87

(Rs crore)

Year	Current Prices	Constant Prices
1971	173 0	173 0
1972	200 0	172 1
1973	228 0	173 3
1974	301 0	177 9
1975	364 5	207 3
1976	410 0	237 8
1977	508 5	274 7
1978	590 5	319 4
1979	646 5	347 8
1980	806 0	324 9
1981	856 0	307 5
1982	1205 0	422 4
1983	1360 0	440 8
1984	1890 0	565 8
1985	2660 0	752 9
1986	3460 0	929 7
1987	4720 0	1207 1
Compound Growth Rates		
1971 80	18 65	7 25
1971 75	20 48	4 63
1975 80	17 20	9 40
1981 87	32 92	25 60

Note The constant price series is based on the whole price index of the Electrical Industry SIC Code 360 (1971=100)

Source Department of Electronics, Annual Reports

Table 2 Number of Firms in Production

Product	1981	1983	1987
Television			
(B and W)	86	182	173
(Colour)	3	76	133
Computers	8	51	118
Resistrs	23	42	46
Capacitors	27	29	29
PCBs	32	87	91

Source Directory of Electronics Manufacturers

was at the cost of an intersectoral imbalance. More importantly, the growth was concentrated around a few products To illustrate, in each sub-sector there was a single product which contributed to most of its production Thus there are three products (TV in consumer electronics, computer in professional electronics and electron tubes in components) accounting for nearly 40 per cent of the production, mainly contributed to the growth in the liberalised regime (see Table 6)

TABLE 3 CHANGES IN FOUR FIRM CONCENTRATION RATIO

Product	1981	1983	1987
Television			
(B and W)	31 9	28 6	41 5
(Colour)		33 8	33 2
Computers (mini and micro)	89 75	33 25	52 11
Wirewound resistors	49 96	36 87	53 2
All capacitors	55 9	70 1	63 48
PCBs	83 45	50 19	54 46

Source Department of Electronics

TABLE 4 PRODUCTION AT CURRENT AND CONSTANT PRICES

Year	Current Prices	Wholesale (1971 100)	Implicit Deflator (1981 100)
1981	856 0	307 5	856 0
1982	1205 0	422 4	1185 6
1983	1360 0	440 8	1355 0
1984	1890 0	565 8	1971 4
1985	2660 0	752 9	3220 7
1986	3460 0	929 6	4125 4
1987	4720 0	1209 1	4931 0
Compound Growth Rate			
1981 1987	32 92	25 60	33 88

Source Department of Electronics Annual Reports for relevant years

The above discussion reveals that the Indian electronic industry during the liberalisation regime developed a lopsided product structure wherein the component sector accorded less priority appears to be contradictory in view of the sustained and self-reliant growth of the industry With an extreme disjuncture in the growth pattern of equipment sector with component the dependence on imports would have increased over time (we will come back to this question in the next section)

The emergence of the lopsided product structure has to be viewed against the changing organisation structure of the industry wherein the private sector is playing an increasing role It is evident that during the post 1980 period the role of private sector increased considerably and that of public sector and small scale sector reduced (see Table 7) Incidentally the available evidence shows that the private sector has been investing mainly in consumer electronics To illustrate, while the share of organised private sector in total production increased only by 7 per cent during 1981 1987 their share in consumer electronics increased by 10 per cent The preference of the private sector towards consumer electronics and such other less capital intensive and quick yielding areas is clearly stated by the Planning Commission To quote much of the investment by the private sector in the last two years is in the areas of consumer electronics petrochemicals and automotive sector However investment is not forthcoming in the higher priority activities where large investment and technological efforts are required Investment in consumer products based largely on imported and penultimate stage raw materials seem attractive because of lower capital costs and quick returns [9]

TABLE 5 SECTORAL TREND IN PRO

(*Rs crore*)

Year	Consumer Electronics	Professional Electronics	Components	Total
1971	52 5	80 5	40 0	173 0
1972	62 5	93 5	44 0	200 0
1973	64 0	113 0	51 0	228 0
1974	78 0	151 0	72 0	301 0
1975	84 5	204 5	75 0	364 5
1976	103 0	224 0	80 0	410 0
1977	130 5	283 5	90 5	508 5
1978	158 5	307 5	117 0	590 5
1979	179 0	320 0	136 0	646 5
1980	214 0	412 5	163 0	806 0
1981	246 0	411 5	173 0	856 0
1982	337 0	605 5	214 0	1205 0
1983	330 0	725 0	340 0	1360 0
1984	587 0	896 5	303 0	1890 0
1985	1030 0	1135 0	410 0	2660 0
1986	1275 0	1531 0	510 0	3460 0
1987	1820 0	2070 0	700 0	4720 0
Compound Growth Rates				
1971 80	16 9	19 9	16 9	18 6
1981 87	39 6	30 9	26 2	32 9

Note Total includes production in SEEPZ also
Source Department of Electronics, Annual Reports for different years

TABLE 6 ANNUAL (COMPOUND) GROWTH RATES OF DIFFERENT PRODUCT GROUPS IN ELECTRONICS INDUSTRY

Product Groups	1975 80	1981 87
Consumer electronics	20 4 (26 5)	39 6 (38 7)
Radio receivers	18 2 (46 0)	7 8 (14 1)
Television receivers	28 0 (33 0)	56 2 (14 1)
Others	17 6 (21 0)	35 8 (19 9)
Professional electronics	15 1 (53 4)	30 9 (45 6)
(a) Communication	13 7 (44 1)	28 9 (34 1)
(b) Defence	6 8 (19 7)	27 7 (14 8)
(c) CI and IE	26 6 (29 2)	28 5 (33 8)
(d) Computers	9 7 (7 0)	53 5 (17 3)
Components	16 8 (20 1)	26 2 (15 7)
Electron tubes	13 7 (11 4)	42 1 (15 0)
Semiconductor devices	12 9 (17 8)	19 3 (13 2)
Passive components	21 0 (39 2)	21 1 (39 7)
Electromechanical components	16 5 (30 0)	29 6 (32 1)
Total	(100 0)	(100 0)

Note Figures in the parenthesis shows share

Incidentally the approach of the organised private sector towards the development of this industry and their role as envisaged by them stands as a testimony to the above statement by the Planning Commission This is evident from the views expressed by the socalled upstart entrepreneurs in a workshop organised by the AIEI in 1979 Even at the cost of brevity it would be insightful to reproduce some of the views and suggestions put forward by them It was held that " we should develop first the equipment base built on imported components. In response to this increased demand the component manufactures will come forward [10] However while suggesting this strategy of growth through shortage" they also felt that components is highly capital intensive industry an area in which private sector will not be able to contribute much and therefore, we will have to think in terms of making investments either in the state sector organisations or in the public sector [11]

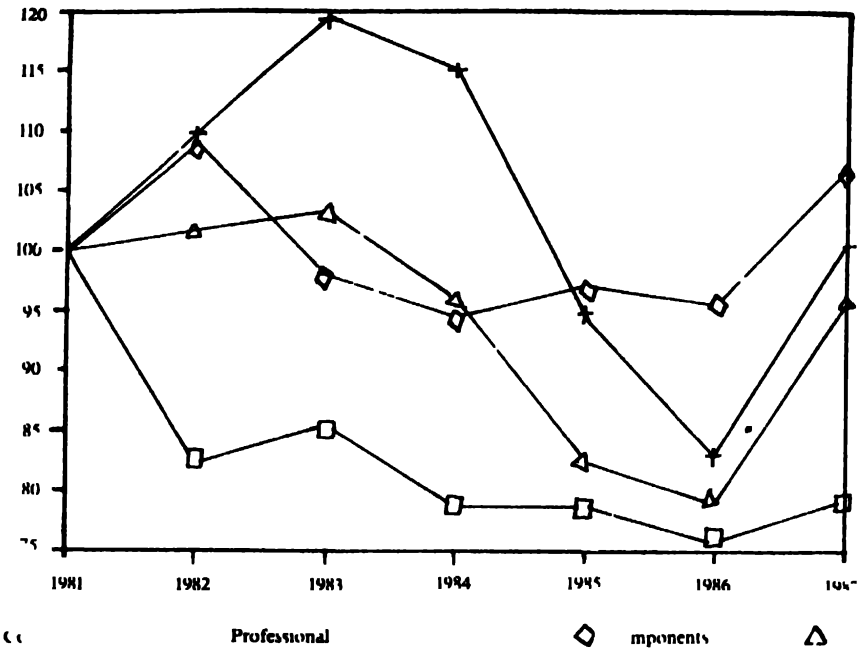
Thus far we have argued that when the strategy towards electronics industry shifted from the controlled to the liberalised regime with greater play of market forces and increasing role to the private sector the output growth of the industry improved considerably However, the component sector being more capital intensive,[12] the investment by the private sector was directed mostly to the less capital intensive products based on imported and penultimate stage raw materials This made the product structure less integrated and lopsided What impact this lopsided product structure, wherein equipment are made out of imported kits, had on the domestic value added of the industry? It is to this question that we turn now

Contribution to Value Added

The lopsided product structure would have had its impact on value addition capability of the industry which is, in fact the real indicator by which the contribution of any sector to the economy could be gauged

Our analysis of the trend in value added is based on the data obtained from Annual Survey of Industries (Factory Sector)[13] With a view to highlight the income generation capability of the industry we have calculated the share of net value added in total production There was a general decline in its share across different sub sectors (see Table 8) The share of value added in total production declined from nearly 33 per cent during 1975 80 to 29 per cent in 1981 84 period This decline is found to be more drastic in consumer electronics[14] where it has declined by five percentage points followed by components This has to be viewed against the shift in national policy towards liberal imports of components and equipment in general and CKD SKD kits

Figure Price Movement



Employment Effect

The lopsided product structure had its impact beyond lower value addition of the industry It is related to the employment generation capability of the industry It is generally held that the employment generation capacity of electronics is much higher than other industries (see Table 9) As the Sondhi Committee has observed with a large reservoir of skilled manpower supported by a high degree of technological and managerial competence, there is great potential for the development of electronics in India[15] Moreover the employment generation capacity of this industry is found to be higher than many other industries

However in India the lopsided product structure and the consequent increase in imports seems to have had its adverse impact on the employment generation capacity of this industry as well The employment generation labour absorption capability of an industry could be gauged from the trends in wage share in value added A priori the wage share tends to increase either with increase in wage rate or with the increased rate of labour absorption In India what we observe is even with a rise in the wage rate the share of labour in the value added declined (see Table 10) In spite of an almost doubling of the average wage rate during 1981 82 to 1984 85 as compared with previous period the average share of labour in value added declined by more than five percentage points That is with an increase in output growth the employment generation capacity of the industry declined To illustrate, while the output has grown at a rate of 33 per cent during the post 1980 period the growth of employment was only at a rate of 11 per cent

Since the production process in electronics essentially involves the assembly of components it is possible that the employment generation capacity may come down with technological changes The switch over from the transistor technology to IC technology tremendously reduced the number of components to be assembled in making a final equipment Moreover the introduction of automation could also reduce the process of employment generation But in the Indian context it seems that the reduction in employment generation capability is not so much due to automation or improvement in technology What could have retarded the generation of employment in India is the increasing imports of the CKD/SKD kits because the labour requirement in assembling equipment from these kits is con-

Table 7 Share of Output of the Public Private and Small Scale Sector (Per Cent)

	1981			1987		
	P S	Pvt S	S S	P S	Pvt S	S S
Consumer	9	25	66	-	35	58
C and CI	35	31	33	24	na	na
Communication and defence	99 5	0 5		na	na	na
Components	28	39	33	na	na	na
Total	43	23	34	32	30	5

Source Department of Electronics

Table 8 Value Added as Percentage of Output

Year	Consumer Electronics	Professional Electronics	Components	Total
1973 74	36 31	32 22	37 20	36 05
1974 75	36 98	40 83	33 97	37 33
1975 76	34 44	33 06	28 65	33 81
1976 77	31 03	33 11	31 52	31 44
1977 78	34 45	32 52	26 19	33 45
1978 79	31 67	32 61	29 17	31 71
1979 80	29 41	32 51	24 58	29 71
1980 81	28 08	29 87	25 89	28 43
Average for 1973 74 to 1980 81	32 8	33 34	29 65	32 74
1981 82	26 45	32 89	22 25	28 05
1982 83	27 85	33 68	27 25	29 44
1983 84	27 80	32 19	28 18	28 90
1984 85	28 09	34 36	30 70	29 88
Average for 81 82 to 84 85	27 80	33 28	27 09	29 07

Source Calculations based on ASI

TABLE 9 EMPLOYMENT GENERATION CAPACITY OF DIFFERENT INDUSTRIES

Industry Group	Fixed Assets Needed for Creating an Extra Job	Number of Jobs Created with Rs 1 crore Investment
Chemicals and petrochemicals	3 04 400	33
Powergeneration and distribution	2 66 467	38
Non ferrous metal products	2 00 837	49
Ferrous products	1 50 331	66
Sugar	1 42 827	70
Rubber products	1 31 022	76
Automobile and bicycles	1 09 443	91
Pulp paper and paper product	96 868	103
Machinery manufacturing	79 618	126
Textiles	74 940	133
Electrical equipment	40 542	246
Electronics	32 129	312

Source Department of Electron Committee on Electronics 19 9

siderably lower than what is needed in designing and assembling equipment from individual components

FOREIGN EXCHANGE EFFECT

Since the electronic equipment are made out of assembling the components the moot question in the context of an ever widening gap between equipment and component production is where from the components come for assembling the equipment Obviously in the absence of domestic production their demand was met through imports The data on import of electronics products into the country is practically non existent and what does exist is almost certainly a huge underestimate For example Electronics Trade and Technology Development Corporation published a status report in 1983 in which it gave data on Indian imports in 1980 Some degree of underestimation is obtained by comparing ETDC import figures with the US estimate of exports to India According to ETDC Indian imports amounted to US $ 30 million from US and $76 million from all countries in 1980 According to the Marketing Service Department of US Electronics Industries Association the US exported electronics worth $ 90 million to India in 1980[16] However, a statement recently made by the minister in the parliament brings out to some extent, the foreign exchange outflow on account of electronics import India imported components and raw materials worth Rs 1 250 crore in 1987-88 The corresponding figures for the year 1986 87 and 1985 86 were Rs 950 and 750 crore respectively[1]

For our purpose we have compiled import data from United Nations World Engineering Trade Statistics It is found that the dependence on imports is increasing over time and it is more pronounced in the post 1980 period To illustrate, the import as a percentage of total production increased from 33 per cent in 1975 80 period to 45 per cent during 1981 86 It is also to be noted that in South Korea the same ratio declined from 51 per cent in 1980 to 41 per cent in 1985 More importantly during 1981 86, while the imports grew at a rate of over 36 per cent the total production increased only at a rate of 33 per cent Therefore the increase in demand was being met through imports To be more specific the share of import in total demand increased from 25 per cent during 70s to more than 32 per cent in the 80s Whereas in South Korea the share of import in total demand declined from 43 per cent to nearly 35 per cent The increasing import dependence in the Indian context has to be seen together with the near stagnancy in the share of export in total production Needless to say the increasing dependence on imports seems to have thwarted our attempt towards import substitution This is evident from the decline in the value of domestic availability ratios (see Table 11) The discussion on imports so far made in fact underestimate the magnitude of foreign exchange outflow because we have not taken into account the drain on foreign exchange caused by technology import Intuitively the number of foreign collaborations in electronics per annum increased from only seven in the seventies to over 200 in 1986 Along with this the number of multiple collaborations also increased To illustrate let us take the case of push button telephones In 1986 eight foreign collaborations were approved in this area[18] This was justified on the ground that it will increase the domestic competition But when five out of eight firms were collaborating with the same foreign firm for the same technology the possibility of enhanced competition is hard to realise

TABLE 10 EFFECT ON THE SHARE OF TABLE 11 VALUE ADDED AND WAGE RATE

Year	Consumer	Professional	Components	Total
1973 74	56 9 (6 5)	61 4 (6 2)	43 3 (3 0)	56 89 (6)
1974 75	56 39 (5 5)	38 73 (6 1)	3 4 (3 9)	52 8 (7 4)
1975 76	58 12 (8 3)	48 8 (10 2)	48 48 (5 9)	56 01 (8 2)
1976 77	61 18 (8 5)	53 33 (9 7)	48 (3 6)	58 84 (8 4)
1977 78	5 48 (9 6)	63 04 (10 8)	48 26 (8 1)	5 62 (9 4)
1978 79	61 63 (10 3)	49 33 (10 9)	43 4 (4 66)	58 04 (9)
1979 80	60 00 (10 4)	50 70 (12 2)	(6)	5 43 (10)
1980 81	65 08 (11 7)	47 78 (13 5)	13 (5)	(11 5)
Average for 1973 74 to 1980 81	59 63 (9 11)	1 41 (10 0)	4 (4 9)	0 (9)
1981 82	56 74 (15 3)	46 42 (15 5)	06 (6)	5 (11)
1982 83	51 7 (14 3)	40 2 (17)	2 (8 4)	45 1 (14 4)
1983 84	53 9 (15)	58 4 (20 6)	0 (9 8)	4 8 (1 2)
1984 85	53 1 (15 9)	48 0 (23 4)	38 (10 6)	49 9 (18 8)
Average for 81 82 to 84 85	53 7 (14 4)	48 3 (18 8)	43 2 (9 1)	51 6 (15)

Note Figure in the parenthesis shows wage rate (Rs 000)
Source Calculations based on ASI

TABLE EFFECT ON EXPORT AND IMPORT

(R

Year	Production	Export	Import	Export as Per Cent of Production	Import as Per Cent of Production	P (P M X)
1975	364 5	16 2	108	4 4	29 0	0 82
1976	410 0	27 1	110 7	6 6	27 0	0 83
1977	508 5	36 9	167 8	7 3	33 0	0 80
1978	590 5	39 6	206 7	6	35 0	0 78
1979	645 5	46 6	224 5	7 2	34 8	0 8
1980	806 0	41 8	285 3	5 2	35 4	0 7
1981	856 0	56 4	na	6 6	na	na
1982	1205 0	89 0	456 2	7 4	37 9	0 6
1983	1360 0	114 5	691 4	8 4	50 8	0 70
1984	1890 0	15 0	847 7	8 2	44 8	0 72
1985	2660 0	154	1176 6	5 8	44 2	0 72
1986	3460 0	240 0	1584 2	6 9	45 8	0 72

Source For imports United Nations World Engineering Trade Statistics different volumes

CONCLUSION

The Indian electronics industry is still in its infant state of development contributing less than five per cent of the country's industrial output However in recent years there has been an apparent improvement in the output growth of this industry The main thrust of our discussion has been to understand the implications of this output growth on the different dimensions of

industrial structure on the one hand and its impact on the industry's capability to generate value added employment and reducing the yawning trade gap of the country on the other

It is found that when the industry was sought to be developed in a controlled regime with an integrated product structure and dominant role to the public sector the growth rate of overall output was modest On the otherhand the growth rate was high when the strategy shifted towards a liberalised regime wherein emphasis was placed on a greater play of market forces by relaxing controls on industrial licensing system in general and controls on imports technology acquisition capacity creation and location in particular The liberalisation by reducing the barriers to entry encouraged competition and led to price reduction and real output growth of the industry However when the investment decisions were left to the market forces in a situation where the private sector was assuming an increasing role much of the investment was guided towards lesser capital intensive and quick profit yielding consumer goods based on imported and penultimate stage raw materials In any case the output structure of the industry became less integrated and lop sided The lop sided product structure had its adverse effect on the industry's capability to generate value added employment and foreign exchange More importantly the imbalance in product structure wherein the professional electronics accorded lower priority would have adversely affected the industry capability to augment the process of restructuring of the industrial sector

This however does not necessarily imply that we should do away with liberalisation as a strategy option Obviously liberalisation had its positive output growth effects The present study, however, highlights a few disquieting aspects of the higher output growth and points towards the need for a rethinking on the process of unleashing of market forces so that the undesirable effects of liberalisation are used

Notes

[Thanks are due to K K Subrahmannian and P Mohanan Pillai for their guidance I have benefited from discussions with Asok Parthasarathi Tarun Ramesh S I Sarnot and K N Harilal The usual disclaimers follow]

1 Government of India Ministry of Finance *Economic Survey* 1987 88

2 Central Statistical Organisation *A Note on the Scope and Construction of Index of Industrial Production (1980 81 100)*

3 Department of Electronics *Report of the Committee on Electronics* New Delhi 1979

4 The rate of growth of output in South Korea during 1980 85 was found to only 20 per cent See for details K J Joseph Growth Performance of Indian Electronics Industry A Comparative Analysis with South Korea paper presented in the seminar on Indian Industrialisation Centre For Development Studies Trivandrum June 1987

5 Bureau of Industrial Cost and Prices *Studies on the Structure of Indian Industries Report on Electronics* New Delhi 1988

6 World Bank *Development of Electronics Industry in India* 1987

For instance Ashoka Mody has divided them into the following four categories in terms of technology and scale levels viz advanced skill intensive medium technology and low technology Ashoka Mody Planning for Electronics Development *Economic and Political Weekly* June 27 1987

8 UNCTAD *Electronics in Developing Countries Issues in the Transfer and Development Technology* TD/B/C 6/36, Geneva 1978

9 Planning Commission *Note on the New Industrial Policy Initiatives* New Delhi 1987

10 Association of Indian Engineering Industry Workshop on Electronics New Delhi 1979

11 Ibid

12 For details regarding the differences in the levels of capital intensity across different product groups -K K Subrahmannian and K J Joseph Electronics in Kerala's Industrialisation *Economic and Political Weekly* June 11 1988

13 From ASI we have taken 364 365 366 and 367 364 represents consumer electronics 365 and 366 represent professional electronics 367 the component sector The total value of output as given by ASI is found to be nearly 70 per cent of the total production as given by Electronics Commission and ASI do not take into account defence production which according to the DoE comes to nearly 10 per cent Incidentally it may be noted that 364 includes a part of telecommunication also

14 The declining trend in value added could be seen even before 1980 in the case of consumer electronics This has to be viewed against the changes in the product composition where the share of television increased considerably

15 DoE (1979) op cit

16 World Bank *Comparative Study of Electronics in India and South Korea* 1984 Here it is estimated that the Indian import in 1980 were in the range of $ 200 million to $ 40 million

17 E S O No 17 27 7 1988

18 Department of Scientific and Industrial Research *Foreign Collaborations 1986* (A compilation National Register of Foreign Collaborations) 1987

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Iconoclasm Is Necessary

DN

ICONOCLASM is a necessary endeavour, intellectual and practical in every age There are those whose basic outlooks have to be re jected and there are others whose limitations have to be understood Call it what you will developing a critique or iconoclasm such a set tling of accounts is essential in each age for the oppressed to be able to carry forward their struggle for emancipation If the sham of the Bengal Renaissance' had to be exposed some twenty years ago, the limitations of past class struggles as for instance that conducted by Swami Sahjanand's Kisan Sabha have to be brought to light today This is not just an idle endeavour but one critically related to the task of working out a direction for the continuing agrarian struggle in Bihar

Involvement with the agrarian struggle in Bihar immediately raises one question—how is it that the state with the most developed and militant kisan organisation in the colonial period is the very state that is by all accounts today the most feudal state? And then was it that the aim of the Kisan Sabha was a limited one, and did not encompass a full fledged anti feudal programme?

A study of the Kisan Sabha's movement and the pre and post zamindari abolition agrarian structure led to the conclusion (Swami Sahjanand and the Kisan Sabha April 1) that has caused AM so much offence (Calcutta Diary ' May 13) that ' the nature of the sub feudals and occupancy raiyats who led the Kisan Sabha helped restrict the anti zamindari movement to an attack on feudalism from above [i e, the feudalism created by the Perma nent Settlement] Further it was held Swami Sahjanand s lifework did weaken feudalism by eliminating zamindari but that too was done in a manner that did not end the dominant position of the upper castes

The 'mainstream left however cannot countenance any such critique or evaluation of the left formations of the past They are the sacred cows that are above questioning If we do not develop a critique of the Kisan Sabha now could we possibly understand why it col lapsed after Zamindari Abolition? The 'mainstream left' has long since ceased to be concerned with the struggles of the peasants It follows that for them there is no need for a critique of the older Kisan Sabha It is enough to observe centenaries—the Nehru Gandhi dynasty does it with all the pomp and show that the Indian state can command their poor cousins in the mainstream left are left to manage with a seminar here and there The ap proach of the two however is basically the same—sing praises and let the critics be damned

What better way to damn the critics than to misrepresent their arguments,as the 'mainstream left' does? The conclusions above should be compared with the misrepresentation of the argument, "Merely because he [Swami Sahjanand] sprang from a superior caste, his Kisan Sabha should not be cast out as casteist" The upper caste origin of the Swami and others who led the Kisan Sabha was only the starting point of our analysis There was no attempt at deducing from that fact anything about casteism

The inference was made, from the relevant passages of the manifesto of the BPKS that the BPKS was set against the distribution of land to the landless the agricultural labourers largely from the dalit castes The BPKS Manifesto held that the poverty and misery of the tenants cannot be rooted out till drastic changes are made in the land tenure and revenue system till the crushing burden of the debt is lifted off and finally till Imperialism is replaced by a National State which is of the masses and which guarantees enough land to every tiller of the soil to enable him to support himself on a reasonable and ascending standard of living and provides *gainful employment to the landless* (quoted in Rakesh Gupta *Bihar Peasantry and the Kisan Sabha* PPH 1982, p 101 emphasis added) If landless labourers were also included in tillers of the soil why would there be a separate programme of gainful employment for them? Isn t it a valid inference that the BPKS did not include the mainly dalit landless labourers among the tillers of the soil? This is a valid inference about the BPKS and not a mis representation of an argument

Why did the BPKS in the above manner separate tillers from landless labourers? Here, it is necessary to see that in traditional (i e feudal) Indian society there was a deep divide between the kisans (peasants) and the mazdurs (labourers) It was this approach that was manifested in the BPKS having a pro gramme of gainful employment to the land less and not one of land to the tiller including the landless

This brings us to the important point of the diatribe of the mainstream left against radicals who acknowledge the existence of caste as a real social category The point is not to counterpose caste analysis to class analysis The point is to work out a correct class analysis of Indian society

It was Kosambi who pointed out Caste is class on a primitive level of production (*The Culture and Civilisation of Ancient India in Historical Outline* p 50) The primitive level of production referred to is obviously not of pre class society but within class society itself Whatever the dispute about whether what existed in pre colonial India was feudalism or not caste was the form of economic organisa ion of that society Caste defined the social division of labour and established relations of bondage

Caste was class in feudal India Both the development of a feudalism from below and the weakening of feudalism in the immediate pre colonial period began to modify this pic ture Some sudra castes (e g Marathas in Maharashtra some Kurmis in parts of Bihar) pushed themselves up into revenue collecting positions But the major transformation of the feudal classes began with colonial rule

Both in the colonial and in the post-colonial periods there has been a dual policy of eroding and retaining feudalism It is not that classes developed within castes, but that bourgeois classes grew within feudal classes Some sections of the parasitic clas ses were pushed down the ladder and under went a process of partial peasantisation Simultaneously some sections of the inter mediate peasant castes accumulated and went up the ranks to become rich peasants, while some others were pushed down to become agri cultural labourers Here too there was dif ference in the feudal origin of the new agricultural labourers Drawing on the experience of Bihar the new agricultural labourers came mainly from the former service castes whose work was reduced with the decline of the feudals and the growth of bourgeois ser vices The dalit castes of agricultural labourers and menials remained for a long time, more or less in the same position Movements of the dalits and the subsequent policy of reservations in some jobs helped bring about some changes in their position and a few made the transition from agricultural labourers to poor peasants

The point from the above account is that the classes (castes) of feudal society have been modified by bourgeois development But this bourgeois development is both very incomplete and warped That is the price of imperialist sponsored growth without a basic anti feudal revolution Consequently when it is said that in the more backward areas of say Bihar there is a close correspondence between class and caste what this really means is that the old feudal classes more or less remain intact very little modified by bourgeois development But, even where this bourgeois development is much stronger there are still specific caste oppressions and caste privileges The structure of that most modern class the working class is also in fluenced by the old classes from which it has originated The declassed elements of the old, feudal classes (including the feudal hangers on) contribute to the upper relatively well paid sec tion of working class out of proportion to their presence in the working class as a whole At the same time, the contract labourers and others at the bottom of the scale almost entirely come from the dalits the tribals and the lower sec tions of the backward castes The classes at the bottom of the feudal ladder are also the ones that provide the overwhelming numbers of those in the lowest section of the working class

As a result of the incomplete and warped manner in which feudalism has been partly transformed the struggle to establish a democratic foundation for India continues with the task of smashing completely the old feudal class (caste) base of social and economic organisation

The mainstream left certainly disagrees with the above analysis Which is why the 'Left Front government of West Bengal accepted the recommendations of a commission that reser vation should not be on a caste (i e, feudal class) basis and that it should instead be on the basis of poverty and low levels of standards of liv ing (Mandal Commission Report Vol I, p 11) To be true to its beliefs, why doesn't the mainstream left agitate for the cancellation of reservations to dalits and tribals and instead

NOTICE

(FORM – IVA)

(See Rule 4A (1))

It is hereby notified for the information of the public that **Apollo Tyres Ltd** proposes to make an application to Central Government in the Department of Company Affairs New Delhi under sub section (4) of section 93 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the take over of the whole or part of SPIE CAPAG INDIA LTD

Brief particulars of the proposal are as under

i)	Name and address of the applicant	Apollo Tyres Ltd 60 Skylark Nehru Place New Delhi 110 019
ii)	Name and address of the undertaking the whole or part of which is proposed to be taken over and the manner of take over i e by acquisition of shares acquisition of control or management whether by the acquisition of the ownership of the undertaking or under any mortgage lease or licence or under any agreement or other arrangement	Spie Capag India Ltd Allahabad Bank Building 17 Parliament Street New Delhi 110 001 Subscription to 80 000 equity shares of Rs 10 each i e Rs 8 lakhs out of total issue of Rs 20 lakhs
iii)	Management structure of the applicant	A public Limited Company managed by two Managing Directors i e Shri Ravinder Singh (Chairman & Managing Director) & Shri O S Kanwar (Vice Chairman & Managing Director) under supervision and control of the Board of Directors of the company
iv)	Capital structure of a) the applicant	(R Lakhs) (R Lakhs) Share Capital Authorised Issued & Subscribed Equity shares of R 10/ each 5000 840 20 11% redeemable Preference shares of Rs 100/ each 200 74 98
	b) the undertaking proposed to be taken over	(Rs Lakhs) (R) Equity share of Rs 10 each 200 700 Initial paid up equity share capital shall be R 20 lakh Apollo Tyres Ltd proposes to acquire 40% out of the initial issue i e 80 000 equity shares of Rs 10 each amounting to Rs 8 lakh
v)	Line(s) of business of the undertaking which will or is likely to emerge as a result of the proposed take over	The new undertaking will carry on the business of wrapping and coating of pipelines horizontal drilling laying and construction of pipelines providing services for inspection and maintenance of pipelines and other related work in the field of Oil and Natural Gas
vi)	Consideration for the take over	Rs 8 Lakhs for 80 000 equity shares of Rs 10 each
vii)	Scheme of finance indicating the source(s) of finance for the proposed take over	To be generated out of internal resources of the company

Any person interested in the matter may make a representation to Secretary Department of Company Affairs Government of India Shastri Bhavan Dr Rajendra Prasad Road New Delhi within 14 days from the date of publication of this Notice intimating his views on the proposal and indicating the nature of his interest therein

For APOLLO TYRES LTD

(V P GOYAL)
VICE PRESIDENT (LEGAL) &
COMPANY SECRETARY

Date This 18th day of August 1989

ask for the uniform acceptance of "poverty and low levels of standards of living" as the criteria for reservation? It will certainly help the *bhadralok* to establish an even stronger hegemony over the minor positions As it is West Bengal has about the worst record in the entry of dalits and tribals into the modern (bourgeois) spheres into politics too The picture of the domination of declassed feudal elements is only partially broken by the Naxalite peasant uprisings of the late sixties and early seventies The emphasis in these uprisings on the landless and poor peasants with some sensitivity to tribal patterns led to at least a few political leaders emerging from such sections This however was partial and did not extend to the dalits of Hindu society But the change having been partial that should not lead us to ignore what was done just as the partial nature of the Kisan Sabha's anti feudalism should not lead to it being dismissed (Incidentally A M has got his facts wrong when he labels Rana of Midnapore a Rajput settled in Bengal Santosh Rana comes from the Tili caste a minor backward caste in Jharkhand)

The actions of the mainstream left are proof that their methods of class analysis are completely wrong Any exploitation or oppression that they do not wish to recognise, is deemed not to exist Instead of developing their theories to comprehend all aspects of oppression they must instead pretend that only that exists which is sanctioned by their theories Their methods of analysis are of no use to the oppressed and exploited as these methods can provide them with no guide on what they should do Their methods of analysis are however just right for the Indian state and ruling classes which need to peddle such analysis as Marxist notions of ideology and class consciousness and established ideas on class and class formation

The first thing in Marxism is to decide on which side one is on the side of the oppressors or on the side of the oppressed The mainstream left of today have established themselves firmly on the wrong side of this divide That was not the position of Swami Sahjanand and the Kisan Sabha of his time They stood against the main exploiters of that time but were unable to articulate a full fledged anti feudal programme That movement requires a critique in order to understood its limitations so as to work out the present direction of the peasant movement The actions of the mainstream left today and the ideology that justifies them on the other hand deserve nothing but denunciation

If Bengal in the past had a phoney renaissance today it has a phoney left Iconoclasm with regard to such a left its actions and its methods of analysis is a very necessary preparation for an advance in the movement of the oppressed Such iconoclasm however is very far removed from pessimism Rather it springs from the optimism generated by the oppressed on the move on the move despite the attempts of the mainstream left to decry their movements and to set themselves up as the sole arbiters of 'Marxist notions of ideology and class consciousness' By equating iconoclasm' with 'pessimism' is an attempt being made to establish diplomatic immunity' for the 'mainstream left ? The struggles of the oppressed however, admit no forms of immunity

FORM II-A

THE MRTP ACT, 1969

[See Rule 4 A (1)]

Form of general notice to be given to the members of the public before making an application to the Central Government under sub Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969

NOTICE

It is hereby notified for the information of the public that INDOFIL CHEMICALS COMPANY A DIVISION OF MODIPON LIMITED Nirlon House Dr Annie Besant Road Worli Bombay 400 025 proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under sub section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the establishment of a new unit Brief particulars of the proposal are as under

1	Name and address of the applicant	INDOFIL CHEMICALS COMPANY (A Division of Modipon Limited) Nirlon House Dr Annie Besant Road BOMBAY 400 025 Regd Office Hapur Road Modinagar 201 201
2	Capital structure of the applicant organisation Authorised Issued Subscribed & paid up	Equity / Preference 20 00 00 000 / 5 00 00 000 7 83 80 570 / 1 45 49 500
3	Management structure of the applicant organisation indicating the name of the Directors including Managing Whole time Director and Manager if any	The Company is managed by the Managing Directors under the overall superintendence of the Board of Directors Names of Directors are as under Mr S B Lal — Chairman Mr K N Modi — Director Mr K K Modi — President Managing Director Mr M K Modi — Vice President Managing Director Mr J J Doyle — Director Mr A F Smith — Director Mr C O Metzger — Director Mr J T Subak — Director Mr M L Modi — Director Mr Prabhat Kumar — Director Mr S K Modi — Director
4	Indicate whether the proposal relates to the establishment of a new undertaking a new unit division	New Unit
5	Location of the new undertaking/	It is proposed to locate the new undertaking in the State of Maharashtra preferably in a notified backward district/area
6	Capital structure of the proposed	The proposal is to be implemented by the existing Company whose capital structure is given in item 2 above
7	In case the proposal relates to the production storage supply distribution marketing or control of any goods/articles indicate I Name of goods/articles 1 Synthetic Resins 2 Plastic Additives III Estimated annual turnover	II Proposed licensed capacity 4000 MT per annum 2000 MT per annum About Rs 26 00 Crores
8	In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc	Not applicable
9	Cost of the project	About Rs 5 81 Crores
10	Scheme of finance indicating the amounts to be raised from each source	Internal resources rupee and foreign currency loans from institutions and debentures/deposits

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

Sd/
(I K GUPTA)
SECRETARY

Dated this Fourteenth day of August 1989

BANQUE INDOSUEZ

(INCORPORATED IN FRANCE WITH LIMITED LIABILITY)

BOMBAY BRANCH

BALANCE SHEET AS AT MARCH 31 1989

Year Ended 31.12.1987 Rs. Ps.	CAPITAL AND LIABILITIES	Rs. Ps.	15 Month Period Ended 31.3.1989 Rs. Ps.	Year Ended 31.12.1987 Rs. Ps.	PROPERTY AND ASSETS	Rs. Ps.	15 Month Period Ended 31.3.1989 Rs. Ps.
	1 Capital				**1 Cash**		
	Nominal Value of Securities Deposited with Reserve Bank of India under Section 11(2) of the Banking Regulation Act 1949 (included in Investments per Contra)	1,50,00,000.00		5,63,33,333.5	In hand with Reserve Bank of India and State Bank of India (including foreign currency notes)		9,17,29,351.69
1,50,00,000.00					**2 Balances with Other Banks**		
					(A) On Current Account		
					(i) In India	–	
					(ii) Outside India	53,42,244.80	
	2 Reserve Fund & Other Reserves			18,62,407.5	(B) On Deposit Accounts		
	Reserve under Section 11(2)(ii) of the Banking Regulation Act 1949 (transferred from Profit and Loss Account)		18,02,50,333		(i) In India	–	
					(ii) Outside India		
	3 Deposits & Other Accounts			18,07,40,5[illegible]			53,42,244.80
	Fixed Deposits				**3 Money at Call and Short Notice**		19,00,00,000.00
	(i) From Bank						
48,07,94,80[illegible].15	(ii) From Others	6,04,[illegible]8,0.34			**4 Investments**		
1,09,40,055.40	Savings Bank Deposits	1,01,71,1[illegible].38			(at cost)		
	Current Accounts, Contingency Accounts etc.				(i) Securities of the Central and State Governments and other Trustee Securities including Treasury Bills of the Central and State Governments	47,16,40,289.50	
64,78,37[illegible].60	(i) From Banks	40,1[illegible],200.07					
8,16,45,2[illegible].01	(ii) From Others	7,71,[illegible]70,5[illegible]			(ii) Shares	3,60,000.00	
8,81,24,298.61		8,01,83,650.26			(iii) Debentures or Bonds	12,32,95,534.00	
57,98,59,821.46			85,08,36,050.51	20,02,3[illegible],815.00	(iv) Other Investments		
	4 Borrowings from Other Banking Companies Agents etc.				(v) Gold	–	
20,68,17,969.47	(i) In India	5,2,5,[illegible]8,85,3.03			(Market value Rs. 9,08,84,120.00 1987 Rs. 19,28,48,083.00)	–	– –
2,52,59,224.03	(ii) Outside India	2,51,[illegible]8,325.35					
23,20,77,193.50			6,3,04,65,251.37	20,03,32,815.00			49,52,95,823.50
	Particulars						
–	Secured				**5 Advances**		
(23,20,77,193.50)	Unsecured	6,3,04,65,251.37			(Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)		
59,88,362.80	**5 Bills Payable**		1,08,60,407.80		(I) Loans, Cash Credits, Overdrafts etc.		
	6 Bills for Collection being Bills Receivable as Per Contra				(i) In India	53,06,22,402.37	
15,29,11,184.85	(i) Payable in India	53,68,368.57		37,58,30,458.08	(ii) Outside India		
1,40,80,877.37	(ii) Payable outside India	3,01,74,981.65			(II) Bills discounted and purchased (Excluding Treasury Bills of the Central and State Governments)		
16,69,92,062.1			11,55,63,350.2		(i) Payable in India	8,00,09,723.90	
	7 Other Liabilities				(ii) Payable outside India	6,88,90,836.35	
	(i) Head Office Capital Account	7,07,15,50[illegible]					
3,26,83,0[illegible]3.85	(ii) Branch Adjustments			15,22,64,108.37			
22,24,7[illegible]5.99	(iii) Others	8,11,3[illegible],72,80					
4,35,77,844.60							
7,84,85,631.01			15,[illegible],08,587.07	8,07,61,409.41			67,95,22,962.62
				59,61,15,938.80			
	8 Acceptances, Endorsements and Other Obligations as Per Contra				**6 Bills Receivable being Bills for Collection as Per Contra**		
46,57,41,222.58			70,06,88,843.95		(i) Payable in India	7,53,68,368.57	
	9 Profit and Loss Account				(ii) Payable outside India	4,01,94,981.65	
	Balance as per last Balance Sheet	1,33,27,243.42		15,29,11,184.85			
	Less: Transferred to Head Office Capital Account	1,33,27,243.42		1,40,80,877.37			
–				16,69,92,062.12			11,55,63,350.22
	Balance of profit as per account annexed	1,92,10,277.53			**7 Constituents' Liabilities for Acceptances, Endorsements and Other Obligations as Per Contra**		
1,39,97,243.42			1,92,10,277.53	46,57,41,222.58			70,06,88,843.95
1,54,31,41,539.92	Carried Forward		2,34,46,35,940.83	1,48,72,77,887.20	Carried Forward		2,27,81,32,576.78

BANQUE INDOSUEZ

(INCORPORATED IN FRANCE WITH LIMITED LIABILITY)

BOMBAY BRANCH

BALANCE SHEET AS AT MARCH 31, 1989

Year Ended 31 12 1987 Rs Ps	CAPITAL AND LIABILITIES	Rs Ps	15 Month Period Ended 31 3 1989 Rs Ps
1 54 31 41 539 92	Brought Forward		2 54 46 35 940 83
	10 Contingent Liabilities:		
	(i) Claims against the Banking Company not acknowledged as debts	7 05 78 000 00	
–	(ii) Money for which the Banking Company is Contingently liable in respect of Guarantees	[illegible]	
1 08 41 28 434 82	(iii) Liability on Bill of Exchange rediscounted	97 [illegible] 00 000 00	
36 50 00 000 00	(iv) Liability on account of outstanding Forward Exchange Contracts	4 41 40 51 195 45	
1 68 47 93 262 13			
1 54 31 41 539 92	TOTAL RS		54 46 35 940 83

Year Ended 31 12 1987 Rs Ps	PROPERTY AND ASSETS	Rs Ps	15 Month Period Ended 31 3 1989 Rs Ps
1 48 72 77 887 20	Brought Forward		2 27 81 32 576.78
	8 Premises Less Depreciation		
7 78 460 57	Cost as at 1st January 1988	7 78 460 57	
	Additions during the year	4 03 67 466 43	
7 78 460 57		4 11 45 927 00	
	Less Deductions written off during the year	76 808 87	
7 78 460 57		4 10 69 118 13	
3 79 374 98	Less Depreciation written off to date	28 96 315 67	
3 99 085 59			3 81 72 802 46
	9 Furniture and Fixtures Less Depreciation (Including Vehicles and Equipment)		
16 82 360 53	Cost as at 1st January 1988	77 89 187 27	
33 21 446 74	Additions during the year	1 08 17 005 73	
80 03 807 27		1 86 06 193 00	
2 14 620 00	Less Deductions written off during the year	89 420 54	
77 89 187 27		1 85 16 772 46	
3 [illegible] 87	Less Depreciation written off to date	78 87 225 48	
45 [illegible] 40			1 06 29 546 98
	10 Other Assets		
1 39 261 70	(i) Stamps and Stamped Documents	31 223 70	
1 62 07 124 17	(ii) Accrued Interest and Discount	3 78 11 086 32	
30 05 844 [illegible]	(iii) Prepaid Expenses	1 28 79 493 89	
3 15 77 398 90	(iv) Sundry Advances Deposits etc	16 40 80 370 28	
5 09 24 629 73	(v) Branch Adjustments	28 98 840 42	
			21 77 01 014 61
	11 Non Banking Assets Acquired in Satisfaction of Claims		—
1 54 31 41 539 92	TOTAL RS		2 54 46 35 940.83

Per our report attached
For S B BILLIMORIA & CO
Chartered Accountants

Sd
Y H MALEGAM
Partner

Bombay August 18 1989

M VERHILLE
Chief Executive Officer (India)

BANQUE INDOSUEZ

(INCORPORATED IN FRANCE WITH LIMITED LIABILITY)

BOMBAY BRANCH

PROFIT AND LOSS ACCOUNT OF BOMBAY BRANCH FOR THE 15 MONTH PERIOD ENDED 31ST MARCH, 1989

12 Months Ended 31.12.1987 Rs. Ps.	EXPENDITURE	15 Months Ended 31.3.1989 Rs. Ps.	12 Months Ended 31.12.1987 Rs. Ps.	INCOME (Less provision made during the period for Bad and Doubtful Debts and other usual or necessary provisions)	15 Months Ended 31.3.1989 Rs. Ps.
10 63 02 881 51	1 Interest paid on Deposits, Borrowings, etc.	1 08 0[illegible] 415 5[illegible]	1 [illegible] 80 [illegible] 30	1 Interest and Discount	3 37 [illegible] 928 66
59 06 [illegible] 01	2 Salaries, Allowances, Provident Fund, etc.	8 [illegible] 54 185 81	46 08 [illegible]	Commission, Exchange and Brokerage	5 [illegible] 0 85 [illegible]
11 500 00	3 Directors and Local Committee Members fees and allowances	0 000 00		3 Rent	
67 70 367 80	4 Rent, Taxes, Insurance, Lighting, etc.	90 71 [illegible]		4 Net Profit on sale of investments, gold and silver land, premises and other assets (not credited to reserves or any particular account)	
4 03 534 00	5 Law Charges	2 [illegible]0 500 00			
[illegible] 47 341 67	6 Postage, Telegrams and Stamps	36 [illegible]5 188 85		5 Net Profit on revaluation of investments, gold and silver land, premises and other assets (not credited to reserves or any particular account)	
30 000 00	7 Auditors' fees	70 000 00			
22 66 376 20	8 Depreciation on and the repairs to Banking Company's property	81 [illegible] 47[illegible] 65		6 Income from non banking assets	
15 [illegible] 105 85	9 Stationery, Printing, Advertisement, etc.	0 [illegible] 115 5[illegible]		Other Receipts	
	10 Loss from sale of or dealing with non banking assets			8 Loss	-
96 2[illegible] 9[illegible] 42	11 Other Expenditure (including H.O. administrative expenses)	1 [illegible]5 50 [illegible]43 9			
	12 Transfer to Reserve under Section 11(a)(b)(ii) of the Banking Regulation Act 1949	18 02 569 38			
1 39 97 243 42	13 Balance of Profit	1 92 10 2[illegible] 53			
14 90 88 714 88	TOTAL	28 58 65 658 02	14 90 88 714 88	TOTAL	28 58 65 658 02

NOTES FORMING PART OF THE ACCOUNTS FOR THE 15 MONTH PERIOD ENDED 31ST MARCH 1989

1 Remuneration paid to Chief Executive Officer in India

	15 Month Period Ended 31.3.1989	Year Ended 31.12.1987
Salary	Rs. [illegible] 0 00 00	Rs. 1 80 000 00
Perquisites evaluated in accordance with Income Tax Rules	Rs. 1 33 945 [illegible]	Rs. 1 [illegible] 36[illegible] 00

2 The money for which the Bank is contingently liable in respect of Letters of Credit and Guarantees includes Rs. 50 492 00 (previous year Rs. 50 494 00) in respect of officers of the Bank.

3 The figures for the period relate to the 15 months to 31st March 1989 whereas those for the previous year relate to the 12 months to 31st December 1987 and are therefore not comparable.

Per our report attached
For S B BILLIMORIA & CO
Chartered Accountants
Sd/-
Y H MALEGAM
Partner

Bombay August 18 1989

M VERHILLE
Chief Executive Officer (India)

BANQUE INDOSUEZ

(INCORPORATED IN FRANCE WITH LIMITED LIABILITY)

BOMBAY BRANCH

Schedule of Particulars of Advances required by the Banking Regulations Act, 1949 (Act X of 1949) annexed to and forming part of the Balance Sheet as at 31st March, 1989

1987 Rs Ps			1989 Rs Ps
25 15 [illegible] 08	1	Debts considered good in respect of which the Banking Company is fully secured	30 01 65 678 23
10 [illegible] 98		Debts considered good for which the Banking Company holds no other security than the debtor personal security	12 81 58 386 47
17 53 51 085 80	3	Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	5 11 98 8[illegible] [illegible]
5[illegible] 15 [illegible] 80	4	Debts considered doubtful or bad not provided for	67 [illegible] 962 62
[illegible]	5	Debts due by Directors or officers of the Banking Company or any of them either severally or jointly with any other persons	10 31 757 [illegible]
[illegible]	6	Debts due by Companies or firms in which the Directors of the Banking Company are interested as directors partners or managing agents or in the case of private companies as members	
[illegible] 478 95		Maximum total amount of advances including temporary advances made at any time during the year to directors or managers or officers of the Banking Company or any of them either severally or jointly with any other persons	5[illegible] 1 6[illegible] 75
	8	Maximum total amount of advances including temporary advances granted during the year to the companies or firms in which the directors of the Banking Company are interested as directors partners or managing agents or in the case of private companies as members	
[illegible] 86 503 8[illegible]	9	Due from Banking Companies	17 80 5[illegible] [illegible]

Auditors' Report on the Bombay Branch of Banque Indosuez under Section 30 of the Banking Regulation Act, 1949

We have audited the attached Balance Sheet of the Bombay Branch of Banque Indosuez as at 31st March 1989 signed by us under reference to this report and the relative Profit and Loss Account of the Bombay Branch of the Bank for the fifteen months ended on that date with the books of account maintained and produced to us at Bombay

In accordance with the provisions of Section [illegible] of the Banking Regulation Act 1949 read with the provisions of Sub Sections (1) (2) and (5) of Section 211 and Sub Section (5) of Section [illegible] of the Companies Act 1956 the Balance Sheet and Profit and Loss Account together with the notes thereon are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act 1956 The accounts are therefore drawn up in conformity with Forms A and B of the Third Schedule to the Banking Regulation Act 1949

We report that subject to and read with the foregoing remarks

(1) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory

(2) the transactions which have come to our notice have been in our opinion within the pow of the Bombay Branch of Banque Indosuez

(3) in our opinion proper books of account as required by law have been kept by the Bran so far as it appears from our examination of those books

(4) the abovementioned Balance Sheet and Profit and Loss Account of the Bombay Branch the Bank dealt with by this report are in agreement with the books of account

(5) in our opinion and to the best of our information and according to the explanations giv to us the accounts together with the notes thereon give the information required by t Companies Act 1956 in the manner so required for Banking Companies and on such ba the said Balance Sheet gives a true and fair view of the state of affairs of the Bombay Bran of the Bank as at 31 March 1989 and the Profit and Loss Account gives a true and fair vi of the profit of the Bombay Branch for the fifteen month period ended on that date.

For S B BILLIMORIA & CO
Chartered Accountants
Sd/
(Y H MALEGAM)
Partner

Bombay August 18 1989

NOTICE

It is hereby notified for the information of the public that HINDUSTHAN DEVELOPMENT CORPORATION LIMITED proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under sub section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval for manufacture of new articles Brief particulars of the proposal are as under

1 Name and address of the applicant	Hindusthan Development Corpn Ltd Mody Building 27 Sir R N Mukherjee Road Calcutta 700 001
2 [illegible] Applicant Organisation	(As on 31 03 1989)

	Equity Shares (Rs lacs)	Preference Shares (Rs lacs)
Authorised	1200	300
Subscribed & Paidup	84[illegible]	50 [illegible]

3 Management structure of the Applicant Organisation [illegible] Director [illegible] Director Whole Time Director and Manager [illegible]	The Company is managed by the Executive Director under the superintendence and guidance of the Board of Directors consisting of 1 Shri R P Mody Chairman 2 Shri P K Khaitan 3 Shri A K Gutgu[illegible] 4 Shri G K Bh[illegible] 5 Shri M [illegible] 6 Shri A [illegible] 7 Shri [illegible] K Ne[illegible] 8 Shri V A M[illegible] 9 Shri H [illegible] Executive Director
4 [illegible] the proposal relates to the establishment of a new undertaking or a unit article	The proposal relates to manufacture of new articles in the existing Unit
5 Location of the new unit	Not applicable as the proposal is for manufacture of new articles in the existing Unit at Haldia Distt Midnapore (West Bengal)
6 Capital structure of proposed undertaking	Not applicable
7 In case the proposal relates to the production storage supply distribution marketing or control of any good article indicate i) Name of goods and ii) Proposed licensed capacity	1 Caustic Soda 49 500 TPA 2 Liquid Chlorine 22 500 3 Hydrochloric Acid 15 000 4 Stable Bleaching Powder 15 000 5 Hydrogen Gas 9 2 million NM³ per annum
iii) Estimated annual turnover	Rs 4155 Lacs
8 In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc	Not Applicable
9 Cost of the Project	Rs 4875 Lacs
10 Scheme of finance indicating the amounts to be raised from each source	

	(Rs lacs)
Rupee term loan and/or issue of debentures/or shares	3150
Foreign exchange loans	750
Internal accruels	975

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhawan New Delhi 110 001 within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

Dated this 28th July 1989

K C JAIN
PRESIDENT (FINANCE) & SECRETARY

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[illegible]

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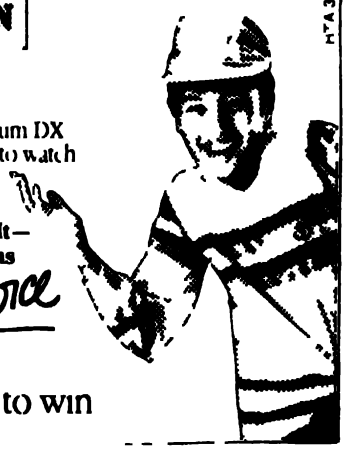

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ECONOMIC AND POLITICAL WEEKLY

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CLASS POLITICS, STATE POWER AND LEGITIMACY

INDUSTRY-AGRICULTURE GROWTH RATES: WIDENING DISPARITY

MONETARY TARGETING OBJECTIVES AND APPROPRIATE INDICATORS

BATTLE FOR SELF-RELIANCE IN TELECOMMUNICATIONS

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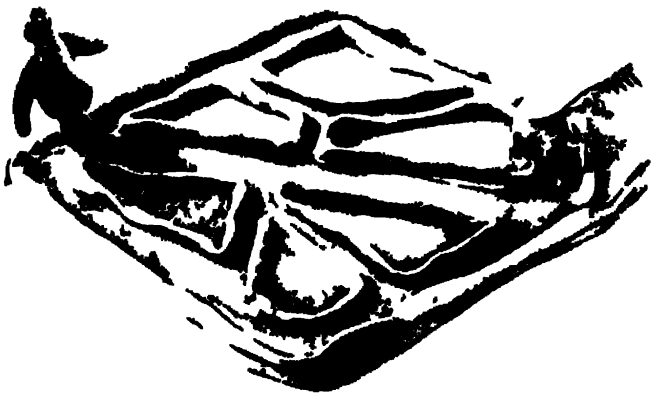

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ECONOMIC AND POLITICAL WEEKLY

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Vol XXIV No 34 August 26, 1989

Technical Change in Textile Industry

Why has the pace of technical change in Indian industry been so slow? What determines the pace of change? Since Indian R and D efforts have been meagre why has industry not imported more modern techniques? What is the role of the Indian capital goods sector in this process? A discussion of these issues in the context of the Indian textile industry M 103

Class Politics and 'Legitimacy'

The concept of legitimacy seems to have become the master key explaining the political process the stability of social orders, the effectiveness of the ruling class and the contradictions of capitalist or collectivist societies Marx is thus turned on his head Collective material interests are subordinated to and derived from the pursuit of legitimacy But is legitimacy actually the relevant issue at all or is it at best a derivative or subsidiary concern? 1955

Wages and Productivity

What have been the trends in real wages and productivity in the Indian industrial sector? A study of eight major industries covering the period 196[illegible] M 94

Size and Innovation

In the traditional literature on the developed countries the consensus was that large firm size and increasing concentration increased innovative activity only up to a point However recent literature has questioned this received wisdom A fresh appraisal of the empirical literature on the relationship between firm size and market structure on the one hand and inventive activity on the other M 113

A survey of a variety of market segments in India shows that markets dominated by subsidiaries and associates of multinational companies have given significant shares to small enterprises that have adopted ingenious methods to enter the market and grow What have been the reasons for the success of the small enterprises? M 127

Self-Reliance in Telecommunications

The setting up of the Telecommunications Commission has been claimed to mean that the revamping of the entire telecommunications system has been firmly put on the government's agenda However there are some good reasons for being sceptical about this claim 1941

Gender and Production Relations

The division of labour between men and women seems to be the most natural aspect of human society seemingly based on procreation Actually this division is inevitably connected with particular relations of production 1949

Lost Credibility

The latter half of the 1980s has been a rather unheroic period in monetary policy in India Explicit monetary targeting has unfortunately coincided with fiscal profligacy thus eroding the credibility of monetary planning 1959

Panchayati Raj

Congress(I) ruled states have been notorious for not holding panchayat elections This problem could surely have been resolved within the Congress Party without any need to amend the Constitution 1936

Industry and Agriculture

The nature of the relationship between industry and agriculture depends crucially on the relative growth of income and employment in the industrial and tertiary sectors 1963

Waveless Election

The Lok Sabha elections of 1989 will most probably reflect as objectively as an election can the socio economic changes in India during the last decade and more 1937

Property and Perestroika

To most reform minded economists in the Soviet Union socialist ownership has become an impediment to substantive economic reform 1947

Data Base

The Development Information System as it has evolved over the last 40 years and as it is at present managed has major limitations given the emerging information requirements M 131

The development of an information system for urban planning is dependent on the development of a planning system The fact that urban data bases are virtually non existent reflects the amorphous character of our urban planning M 141

LETTERS TO EDITOR

Universal Salt Iodisation Policy

I WRITE with reference to the article by K P Aravindan Science in Service of Monopolies Universal Salt Iodisation Policy (July 8) There are several references to my work in the article mainly questioning its scientific validity I am aware that your weekly is truly not the forum to debate issues in Thyroidology However as Aravindan chose to make use of *EPW* to question my work I am left with no choice but to briefly clarify through your columns some of the issues raised

I am not persuaded that Aravindan s criticism of the policy of universal iodation of edible salt in India is based on sound socio economic considerations The gist of Aravindan s arguments and my responses follow

(A) *Though goitrous subjects have elevated TSH levels because they also have elevated T3 levels they have normal thyroid function*

This argument based on old concepts is untenable in the light of current understanding The current concepts in this regard are

(i) The most sensitive indices for primary thyroid failure are basal TSH levels and TSH response to TRH

(ii) Circulating T3 level is a poor discriminant between hypothyroid and euthyroid subjects

(iii) The major proportion of circulating T3 is derived from monodeiodination of T4 in peripheral tissues

(B) *According to Aravindan the entity of sub clinical cretinism does not exist and the work done by us in India in this regard is not real science*

The truth is that sub cretinous syndromes are recognised and reported from major goitre endemias by workers all over the world Our contribution in the area has been to relate this phenomenon with the high incidence of neonatal chemical hypothyroidism Our relevant work dismissed as 'slip shod by Aravindan was internationally peer reviewed and published in a leading scientific journal brough out by the World Health Organisation

(C) *The neonatal chemical hypothyroidism demonstrated by us in the sub-Himalayan endemic belt may be akin to the transient hypothyroidism described from iodine deficient regions of Europe and hence may be harmless*

That these two entities are very different should be evident to the most casual surveyor of relevant literature. Quantitatively the degree of hormonal abnormality demonstrated in the European neonates is of the order of 5 to 12 μg/dL T4 and 10 to 20 μU/mL of TSH The criteria we have adopted to diagnose neonatal hypothyroidism in India are T4<3 μg/dl and TSH > 50μU/mL Besides, the iodine deficiency reported from Europe is a mild variety with plenty of scope for post natal iodine availability to the neonates Clearly this is not the case in endemic regions of developing countries Therefore the comments of Aravindan in this respect are largely irrelevant

Aravindan often tries to impart an air of authority to his arguments by selective literature citation Selective literature citation is a discredited practice

I presume Aravindan belongs to the medical profession He has prescribed iodised oil injection for expectant mothers as a preferred alternative to salt iodation He has not cited literature in support of this prescription Is this a wilful omission? Is he familiar with the literature in this regard?

DR N KOCHU PILLAI
Additional Professor
Department of Endocrinology and Metabolism AIIMS New Delhi

No Cover-Up

YOU have commented on the unfortunate incidents which occurred during the International Youth Festival at Pyongyang (Exporting Congress Culture' July 22 p 1616) I fully sympathise with the feelings expressed in the piece except the last paragraph where the joint statement issued by me as president of the DYFI and D Raja secretary AIYF has been misinterpreted as an effort to whitewash the misdeeds of the Youth Congress I am giving below the full text of the joint statement and I hope this will make our position clear and set the record straight

Immediately after the XIII World Festival of Youth and Students held in Pyongyang the capital of DPR Korea, a joint statement was issued by the leadership of the National Preparatory Committee of India The purpose of the statement was to inform the youth students and people about the success of the festival under the noble slogan of Anti Imperialist Solidarity Peace and Friendship' and also about the positive contribution of the Indian delegation in the festival

Now it has been brought to our notice that the joint statement has been misinterpreted and used to cover up certain unpleasant incidents which occurred in Pyongyang and en route. It is for the leadership of those whose members had engaged in such ignoble activities to explain what steps have been taken to prevent this in the future to save us from national embarrassment This is all the more important as the same section had brought ill fame for our country during the Moscow festival also, not to speak of the Nagpur conference

It may be recalled that in our earlier joint statement itself reference was made about some unfortunate incidents during the festival, though we mentioned about some exaggeration also However, while presenting the statement to the press, this admission has been totally underemphasised

M A BABY
President
DYFI, New Delhi

European Community and NATO

THE article by Sanjaya Baru 'Economics and Politics of 1992 (May 20) states that the EC is not simply an economic arrangement given the fact that its members are also members of NATO

I would like to point out that Ireland a member of the European Economic Community since 1973 is not a member of NATO Ireland is not a member of any military alliance. Indeed in discussing the neutral status of Austria and Switzerland the article gives the impression that membership of the European Community is incompatible with neutrality and that membership of the Community and NATO are coterminous

This is clearly not the case as Ireland s neutrality testifies Moreover three European countries Iceland Norway and Turkey are members of NATO but are not members of the European Community

MICHAEL BAYLOR
Charge d Affaires a i
Embassy of Ireland
New Delhi

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ECONOMIC AND POLITICAL WEEKLY

Evading the Real Issues

It is unfortunate but equally inevitable perhaps, that the debate on the Eighth Plan, up to the present stage of its formulation at any rate, has come to centre almost exclusively on the overall growth target that should be set for the plan Here the government has been caught in a bind of sorts After claiming, on the basis of the growth rates of just a couple of years, that the economy had moved to 'a higher growth path, to accept a growth target for the Eighth Plan which was not impressively higher than the 5 5 5 per cent annual growth aimed at in the earlier plans would have been to acknowledge that the recent economic performance does not amount to any notable mutation of the economy's modest long term trend growth rate of 3 5 to 4 per cent per annum This for dear life the members of the Planning Commission had to avoid doing at all cost The debate on the Eighth Plan's growth target has also underscored the tenuous and peripheral character of the planning process in the country The Planning Commission is evidently mesmerised by the expected improvement in incremental capital-output ratio (ICOR) in the Seventh Plan from about 4 6 to 4 3 From this it has been a simple step for the commission to suggest that there is no reason why the ICOR could not be made to go down further to 4 15, or even lower, in the Eighth Plan thereby opening altogether new vistas of growth Why bother about such inconvenient considerations as that the improvement anticipated in the ICOR in the last two years of the Seventh Plan may almost entirely be due to the rise in agricultural output growth thanks to successive excellent monsoons that the possible reduction in ICOR in the last two years of the Seventh Plan is almost certainly not part of any trend, that the modest GDP growth of 4 per cent per annum in the first three years of this plan itself points to the ICOR having been much higher as recently as that

The growth target is not of course, the central aspect of the Eighth Plan The debate needs to focus instead on the many substantive issues and problems which are crying out for attention and action in the Eighth Plan period Among these, in the agricultural sector, one can illustratively list the niggardly growth rate of output, notwithstanding the 1988-89 bumper crop, the sluggishness in investment both by the government and by farmers across the country, the rapid growth in the number of marginal farmers, the clear signs of labour absorption in agriculture having reached its limits, and the persistent inter regional and inter-crop disparities in growth rates Not many of these issues have been adequately taken into account in the so-called agro-climatic approach to agricultural development envisaged in the Eighth Plan Agricultural growth in Punjab Haryana and western UP has slowed down without an offsetting pick-up elsewhere The spread of irrigation has suffered because of insufficient public sector investment Dependence on rainfed agriculture therefore continues to be preponderant Also, the agricultural sector too has begun to face demand constraints as a result of declining per capita real incomes of a large proportion of the rural population as is suggested by the fact that while the share of agriculture in total GDP has declined from 50 per cent in the early 1970s to less than 30 per cent, the proportion of the workforce dependent on agriculture has hardly come down It is this lack of purchasing power with the people that is at the root of the necessity for government to subsidise agricultural inputs as well as output prices which in turn is a major factor eroding government savings

In industry the bulk of the increase in output in recent years has taken place in a few areas, with consumer durables playing a major role among these And heroic assumptions in regard to continued decline in the capital-output ratio notwithstanding, sustaining even a 6 per cent growth would require a substantial rise in the rate of domestic saving While reports suggest that the Planning Commission appears to be counting on the average rate of saving being successfully pushed up from the expected level of about 21 1 per cent in the Seventh Plan to 23 3 per cent in the Eighth Plan, the constraints faced by the economy in raising the domestic saving rate do not appear to have overly bothered the commission The fact is that the domestic saving rate has virtually stagnated for more than a decade now The other side of the coin, of course, is that consumption growth—in the government and the corporate sectors and amongst households—has been unconscionably high, though precisely this phenomenon has made possible the recent rapid growth of particular sectors of industry as also of certain types of services The contradictions of this pattern of growth, which the Planning Commission and the government are fervently hoping would continue into the Eighth Plan, are obvious

There is no dearth of other structural issues which should be the central concern of the next plan absence of growth of employment in organised industry and technology policies that are at the same time rendering Indian industry cripplingly dependent on imports, in regard to the incidence of poverty, apart from the deterioration brought out by NSS data, the niggardly growth of employment, the stagnation of per capita availability of foodgrains and other basic consumption goods, the faster rise in consumer prices compared to the general level of prices are all symptoms which demand urgent attention No wonder the government and the Planning Commission would rather fix their gazes on the ICOR and on growth targets

WEST BENGAL

Communal Virus

WITHIN a space of three days two rounds of communal clashes comprising three separate incidents fouled the political climate of West Bengal On August 13 there was a violent confrontation between a Muharram procession on the one hand and the supporters of a local sports club on the other in a village in the district of Nadia This was said to have been a sequel to a long standing rivalry over a football ground Two persons were hacked to death and nine other injured in the course of this clash The next round of two separate incidents took place on August 15 independence day one in the east central Calcutta region and the other in the south western suburb of Matiabruz In one of his speeches on independence day chief minister Jyoti Basu deplored these two incidents

Unlike in some other states and in keeping with the Left credentials of the West Bengal Left Front administration the prompt despatch of punitive forces succeeded in nipping the danger in the bud so to say But the fact that such incidents did occur and two of them in the city of Calcutta is something to worry about

It may be no more than a coincidence that just the day before the Nadia clashes the CPI organ carried a warning about the expanding activities of aggressive communalist forces from both the Hindu and Muslim communities –specifically the BJP Vishwa Hindu Parishad, RSS Jamaat e Islami and the Muslim League One did not really have to be blessed with a prophetic insight to foresee the danger of a communal conflagration Over the years of Left Front rule occasional communal clashes have indeed vitiated the political climate of the state some of them on a considerable scale The small issues like a street accident or rivalry over a playground, or teasing of a girl that tend to provoke communal confrontation bear testimony to the underlying tensions and strains in mutual relations at the grass roots level even if the role of the organised provocateurs is not to be ignored It would, therefore, be extremely naive and complacent a view to think that the masses of this Left ruled state have really been immunised from the communal virus now plaguing the country as a whole

Apart from the organisations mentioned above, there are at least two other powerful agencies on the Hindu side that demand notice One is the notorious Anand Marg with its undisguised fascistic inclinations and suspicious international linkages which has set up a well-guarded and extensive headquarters on the eastern fringe of the city, and the other is the less obtrusive but perhaps no less worrisome Santan Dal, which had openly challenged the Left Front government and the CPI(M) over an incident of a police firing in the port trust area about a year ago The second organisation's striking power may indeed be much greater as it combines religious mysticism and obscurantism with a radical demagogy All this has a dangerous potentiality particularly because there is hardly any consistent work at the social base to develop the critical consciousness of the masses through united praxis Almost the entire energy of the Left forces more particularly its leading entity the CPI(M) is directed towards such issues as the Bakreshwar thermal power plant or the Haldia petrochemical project— that is issues not immediately or palpably relevant to the existential problems of the masses

The recent rounds of communal clashes may serve as a blessing in disguise only if the Left Front would care to interpret the meaning of the writing on the wall

STEEL

Policy Absurdities

THE various sections of Indian business basically support or oppose government controls on pricing and distribution depending on what suits their economic interests at a given time. In the present situation aggregate demand for steel is in excess of past levels of output, making it possible for high premiums to be obtained on a variety of steel products But the integrated steel producers, i e, SAIL and TISCO, are subject to various forms of control over pricing and distribution As Russi Mody, chairman of TISCO puts it "the office of the development commissioner for iron and steel continues to exert pressure in various ways to deny free market conditions to major producers" Mody refers to the present position in regard to iron and steel control as an 'absurdity' He also highlights the ambiguity of the official position by quoting at length from the annual report of the department of steel for 1988-89 With regard to distribution of steel the department of steel's annual report states that "there is no statutory control on the distribution of iron and steel" Yet it goes on to say that since there are shortages in certain categories of steel, in the interest of "equitable distribution and fulfilment of supplies to important sectors" the Joint Plant Committee (JPC) guidelines have to be followed by the main producers, i e, SAIL and TISCO Again, in regard to pricing of steel the report states that there is no statutory control on the prices of iron and steel However, prices of major items of iron and steel are determined by the JPC and are applicable to the main producers

Apart from attempting to debunk the necessity of and highlighting the irrationality of pricing and distribution controls Mody also refers to discrimination in their application—i e, the mini-steel plants re rollers and secondary sectors have no price and distribution control And these account for roughly one-third of total steel production The point is that at a time of shortages the mini steel plants re-rollers and secondary producers are deriving high premiums while the main producers are deprived of availing of this opportunity by JPC controls

The chairman of SAIL, V Krishnamurthy, also wants the lifting of pricing controls over the main producers While TISCO can and has been changing its product mix in tune with changing demand conditions and profitability prospects so as to maximise its output of high value added items (which are not under JPC control), SAIL has been politically pressurised to produce more semis to feed the re rollers even though it has unutilised capacity in its bar, rod and structural rolling mills Also it is a fact that the production of semis by the integrated steel plants involves wasteful use of energy from a national point of view

However, more intriguing is Krishnamurthy's endorsement of the World Bank's proposal to allow free imports of steel in the interest of promoting competitive efficiency Larger imports of steel are perhaps inevitable in view of the emerging shortages of steel products They would be needed all the more if the government were to heed the pleas, advanced by the chairmen of SAIL and TISCO alike, for the lifting of the controls on steel pricing and distribution which still apply to the main producers However, the idea of using steel imports as part of a longer-term strategy to make domestic steel producers more efficient, as the SAIL chairman seems to be suggesting, is a far more complex proposition Surely the chairman of SAIL is aware of cartelisation and other trade distorting practices such as subsidies in the international steel market Also, the pricing of steel in the international market is not the same as in the domestic markets in Western Europe or Japan Thus steel prices in international trade can go as low as the short-run marginal cost of produc-

tion constituting virtual dumping Large or 'free' steel imports, to use the SAIL chairman's term, may in these circumstances, have the consequence not of promoting competitive efficiency among domestic producers but quite the opposite—of displacing domestic output and lowering capacity utilisation in the domestic steel industry

AIR SERVICES

Warped Priorities

VAYUDOOT's managing director recently declared that by 1995 all the 450 district headquarter towns in the country were proposed to be connected by Vayudoot air services At present this feeder service connects about 100 stations

The establishment of airports in all the district headquarter towns by 1995 and rapid expansion of air services are part of the modernisation drive At the same time, by extending air travel to accessible areas Vayudoot is now being utilised to promote parallel and superfluous air services where alternative modes of transport already exist or are conceivable This is contrary to the purpose for which Vayudoot was originally set up in order to offer flights in sectors having long and circuitous routes to reach destinations and in outlying areas as in the north eastern states Himachal Pradesh and Kutch in Gujarat Further tourism promotion is stated to be a reason for expanding Vayudoot services, but it has been found that foreign exchange constitutes only about 5 per cent of the earnings of the airline

Flights being very expensive, will only benefit the top 5 per cent of the people in India including political leaders government officials (private and public sector) company executives and other affluent professionals For instance, Vayudoot flights between Madras and Neyveli town in Tamil Nadu are reported to primarily benefit top executives of Neyveli Lignite Corporation Airports have also been opened in many district towns on political considerations Recently in Haryana, two Vayudoot airports were opened after the state government guaranteed that it would allow government officials to utilise those flights Vayudoot has a Rs 600 crore fleet expansion project under consideration by the government

Vayudoot has decided to add a few 19-seater Dornier aircraft to its fleet and Hindustan Aeronautics is assembling these aircraft by importing components from West Germany Curiously, HAL is converting many of these small planes into luxurious 7-seater executive aircraft for use by industrialists Our industrial magnates can now fly their own private planes utilising the extensive infrastructure being set up at enormous cost by Vayudoot and Indian Airlines

Yet another feeder service, the air-taxi has been approved by the government The air taxi service to be promoted by private companies and individuals will charge higher fares than Vayudoot and Indian Airlines Who are the beneficiaries of the air taxi service? The air taxi service is to be allowed to use 55 airports on high density routes

In India what are our priorities for the next five years? Do we need more airports or better public transport facilities for the common man? Do railway stations and bus stands in the district towns have basic amenities? Why is there a shortage of passenger buses and trains? Why are district and rural roads poorly maintained? Do we have the requisite number of autorickshaws in the district towns? Do the hospitals situated in district towns have the requisite equipment and facilities? Will we have one primary health centre for 30 000 people by 1995? Will the district and rural towns have the requisite sanitation and drinking water facilities by 1995? Do schools in district and rural towns have proper buildings the requisite class room and laboratory facilities playgrounds sanitation facilities? Will all the district headquarter towns have science museums by 1995?

The Planning Commission has in a recent study strongly advocated a check on the expansion of the domestic civil aviation facilities during the Eighth Plan period because of heavy foreign exchange outgo for imports of aircraft and costly aviation fuel The commission has maintained that scarce resources should be utilised on a priority basis to rectify the mismatch between technological sophistication of new generation aircraft inducted recently and the existing air operations The Planning Commission has further found that short distance flights, being uneconomic, involve subsidies many times the fares charged by Vayudoot, as extensive infrastructure is being created and maintained at huge cost to operate flights which are extremely few

When the country faces an acute foreign exchange crisis and when resources are scarce to provide even basic and essential needs of the vast majority of the people, should the air services be rapidly expanded? It is to be hoped that the government will give serious consideration to the views of the Planning Commission

TWENTY YEARS AGO

EPW, August 23, 1969

It is too early to say whether tea plantation workers in West Bengal will come out of their strike as successfully as jute workers did a fortnight ago But these two strikes could mark the beginning of a new strategy of trade union activity Conditions in both industries have been long ripe for a show-down between employers and workers The modest increases in wages granted by the Central Wage Boards in these two industries several years ago are no longer enough to hold back renewed pressure from workers for further increases But in neither industry have employers ever shown much inclination for collective bargaining and their response to the present wage demands from workers was predictably negative The most important aspect of the jute strike as well as the tea plantations strike, of course, is that in both trade unions have for once got over internecine rivalries and acted with complete unity Situations like those in jute and tea plantations are likely to develop in other major industries as well The jute industry and tea plantations could well provide the pattern for them to unitedly force a direct confrontation with employers

* * *

The most significant aspect of the presidential election was the manner in which other political parties and forces intervened decisively in the conflict between the governmental and organisational wings of the Congress Party The election brought out, for the first time so clearly, the important role that, given a particular political situation, purely state parties like DMK and Akali Dal could play in determining the course of national events These parties themselves had not perhaps to begin with visualised any such role for themselves Much the same can also be said of the importance of non Congress state governments What all this adds up to is not so much polarisation—despite the superficial Left Right line up in the presidential poll—as pluralisation This development is of relevance not only to the current battle for supremacy in the Congress, but more generally also to the relationship between the prime minister and the party In this kind of situation in any party which participates in a government, whether at the centre or in the states, the governmental wing must emerge more powerful than the organisational wing

POLAND

Not By Christian Faith

THE Brezhnev doctrine, formulated in 1968 which limited the sovereignty of the east bloc countries, has been abandoned by Gorbachev and this perhaps promises well for international socialism However, Poland's current genuflexion to the market economy augurs ill for today's troubled socialists If there is such a thing as assigning culpability for the historical process the Polish United Workers Party in power for nine and a half decades can not escape its share of blame for the current crisis Forty years of mindless *etatisme* shorn of creative ideological thinking foisted on Polish society as socialism could not but have invited the kind of reaction that is being witnessed The nomination of Tadeusz Mazowiecki, a prominent Solidarity intellectual, following the movement's sweeping victory in the June elections for 35 per cent of the Sejm seats and 100 senatorial seats and the constitutional crisis that attended the inability of the PUWP to obtain the support of its erstwhile appendages, the Democratic Party and the Peasants Party, in electing its own nominee Czeslaw Kiszczak has prompted the mainstream in the west to pen obituaries of the socialist project

The crisis however is far from over While Mazowiecki's appointment has solved the constitutional stalemate (none of the parties independently constitute a majority in Sejm and consequently could not form ministries on their own), the balance of political forces is still rather tenuous This realisation has dawned on the contending forces for there is a marked change from their original positions as they move from confrontation to compromise In April the government conferred legality on Solidarity thus enabling it to contest the limited June elections Then came the post election offer of admitting Solidarity into the government to share institutional power Solidarity's initial all or nothing bluster which led it to reject the coalition offer has given way to a pragmatic stand stemming from the realisation that a sizeable parliamentary representation does not signify anything substantial within an entrenched power structure

Poland's overwhelming crisis is reflected in the all round exercise of political caution There is a fear that the crisis could deteriorate into chaos and instability Jaruzelski reluctant to contest the presidential election, fearing lack of support, eventually won by a margin of one vote thanks to support from twelve Solidarity parliamentarians. Jaruzelski's candidature was backed by the Soviet Union and the Bush administration as well as by Walesa on the perception that his continued presence would ensure some degree of stability

The new arrangement ensures PUWP's control of the defence and interior ministries, presumably to allay Russian apprehension regarding the future of the Warsaw Pact Walesa too has ruled out Poland's withdrawal from the pact A serious dispute persists, nevertheless, as both Solidarity and the PUWP staked their claim for the control of economic and financial policy-making However, the resolution of this discord is unlikely to produce immediate results until a clear victor emerges in the current ideological battle Even if the PUWP gains the upper hand the ongoing inner party struggle between the reformists and hardliners will continue to complicate the problem On the other hand Solidarity's ascendancy may not obviate the impasse Its lack of a coherent and systematic economic blue print compounded by its loose coalitional character may generate tension in the movement which, given the absence of a defined organisational structure, might either paralyse it or splinter it

Economic direction is the essence of the struggle and direction is precisely what the Polish economy, burdened by a 39 billion dollar external debt and beset by inflation wants Poland's export earnings are only a fifth of its debt obligations The mounting budgetary deficit compelled the government to remove the 300 per cent farm subsidy Agricultural productivity was sought to be raised by eliminating price controls, but the outcome has been lethal inflation

Getting the economy back on the track will sorely test the Solidarity for it might involve austerity measures like wage cuts which will be unpopular with its social base The Solidarity's antecedents might create difficulties for its trade union pedigree has not been significantly diluted by the presence of intellectuals and other disgruntled non proletarian elements In terms of fundamental objectives too Solidarity may be consumed by its own contradictions Andrzej Malachowski has predicted the fragmentation of Solidarity since the capitalist path will be endorsed by rural Solidarity but will be opposed by the workers Solidarity intellectuals too are a divided lot ranging from avowed capitalist roaders like Malachowski to social democrats like Jacek Koran and Jan Mujzel who are partial to restructuring along Swedish lines

For Poland there has been no dearth of advice But even as the 'free market intelligentsia' in the west deliver capitalist homilies, there still remains the problem of 'multiplying the loaves and for that Mazowiecki will need more than just pontifications and Christian faith

Centre for Research in Rural & Industrial Development

2A Sector 19A, Madhya Marg Chandigarh 160 019 (India)

For the past some years this Centre has been engaged in studies on Ethnic Conflicts and Violence, population dynamics development of border areas and technological perspectives for the industrialisation of the Northern Region These studies are multi-disciplinary and inter-disciplinary in approach and involve extensive fieldwork as well as collection and analysis of the necessary secondary data Also included in the studies is a programme of providing training to junior research staff in research methodology and for award of M Phil and Ph D Degree by arrangement with the Punjab and Punjabi Universities

In its present programme of expansion, the Centre is looking for Research Investigators, Research Fellows, Senior Research Fellows and Associate Research Co-ordinators (Corresponding to the positions of Lecturers, Senior Lecturers, and Readers) in the revised UGC Scales

The Centre shall be happy to receive applications, recommendations and response for these posts Candidates with specialisation in Economics, Population Studies, Sociology, Political Science and related social science disciplines with experience of inter-disciplinary research will be preferred

Index Numbers of Wholesale Prices (1981 82 = 100)	Weight	Latest Week (29 7 89)	Variation (per cent) Over Last Month	Over Last Year	Over March 25 1989	In 88 89	In 87 88	In 86 87	In 85 86
All Commodities	1000	163 5	0 9	5 8	NA	6 3	5 3	5 7	7 1
Primary Articles	NA	163 4	0 5	0 3	NA	4 8	5 2	2 0	4 8
Food Articles	NA	184 1	0 8	2 4	NA	9 1	6 6	6 8	6 4
Non food Articles	NA	158 4	0 1	3 8	NA	6 7	6 4	10 2	2 3
Fuel Power Light and Lubricants	NA	155 9	0 2	3 9	NA	5 2	6 8	11 9	2 6
Manufactured Products	NA	164 9	1 1	9 4	NA	7 9	4 9	7 2	6 0

Cost of Living Index	Base	Latest Month	Variation (per cent) Over Last Month	Over Last Year	Over March 1988	In 87 88	In 86 87	In 85 86	In 84 85
For Industrial Workers	1960 100	818[1]	0 6	8 6	0 6	9 1	8 8	6 5	6 4
For Urban Non Manual Employees	1984 85 100	138[1]	0 7	7 0	7 0	9 6	7 9	7 9	8 1
For Agricultural Labourers	July 60 to June 61 100	739[1]	0 3	12 5	12 3	9 8	4 8	4 8	0 2

Money and Banking		Latest Week (30 6 89)	Variation (per cent in brackets) Over Last Month	Over Last Year	Over March 24 1989	In 88 89	In 87 88	In 86 87	In 85 86
Money Supply (M_3)		2 01 183	1 588 (0 8)	25 992 (14 8)	9 951 (5 2)	27 225 (16 7)	22 027 (15 7)	22 295 (18 8)	14 423 (13 9)
Net Bank Credit to Government Sector	Rs crore	1 05 251	1 112	10 723	8 426	12 738	12 811	12 776	6 555
Bank Credit to Commercial Sector	Rs crore	1,29 832	1 221	19 759	3 766	18 752	12 389	11 294	10 963
Net Foreign Exch Assets of Banking Sector	Rs crore	6 171	548	2 172	64	637	673	1 314	13
Deposits of Scheduled Commercial Banks	Rs crore	1 47 143	2,485 (1 7)	19 826 (15 6)	7 713 (5 5)	21 385 (18 1)	15 321 (14 9)	17 320 (20 3)	13 160 (18 2)
Foreign Exchange Assets**	Rs crore	6 075	496 (8 9)	693 (12 9)	233 (3 7)	830	508	604	+ 197

Index Numbers of Industrial Production (1980 81 100)	Weights	Latest Month (March) 1989	Averages for* 1988 89	1987 88	Variation (per cent) In 1988 89	In 1987 88	In 1986 87	In 1985 86
General Index	100 0	208 1	181 0	166 4	8 8	7 3	9 1	5 6
Basic Industries	39 4					5 6	9 2	6 8
Capital Goods Industries	16 4					16 0	18 2	10 6
Intermediate Goods Industries	20 5					4 7	4 4	7 5
Consumer Goods Industries	23 6					7 4	7 1	12 5
Durable Goods	2 6					7 6	18 9	15 7
Non Durable Goods	21 0					7 4	4 9	11 5

Note The index numbers of industrial production by use based classification are not available beyond March 1987

Foreign Trade	Unit	Latest Month (June 89)	Cumulative for* 1988 89	1987 88	1987 88	1986 87	1985 86	1984 85	1983 84
Exports	Rs crore	1 972	6 039	4 348	15 719 (25 1)	12 569 (15 4)	10 895 (7 2)	11 744 (20 2)	9 771 (11 0)
Imports	Rs crore	2 645	7 773	6 461	22 343 (10 6)	20 201 (2 8)	19 658 (14 7)	17 134 (8 2)	15 831 (10 8)
Balance of Trade	Rs crore	−673	−1 734	−2 113	6 624	7 632	8 763	5 390	6 060

Employment Exchange Statistics	Unit	Latest Month (Jan 89)	Cumulative for* 1989	1988	1988	1987	1986	1985	1984
Number of Applicants on Live Registers (as at end of period)	Thousand	30 195	30 195	30 019	30 050 (0 7)	30 247 (0 4)	30 131 (0 4)	26 270 (0 4)	24 861 (7 9)
Number of Registrations	Thousand	514	514	469	6 028 (10 3)	5 465 (0 2)	5 473 (6 0)	5 524 (6 4)	6 220 (8 0)
Number of Vacancies Notified	Thousand	40	40	45	542 (12 7)	621 (0 8)	616 (10 0)	683 (3 4)	707 (15 5)
Number of Placements	Thousand	26	26	35	340 (- 5 6)	360 (1 1)	356 (8 2)	388 (4 7)	407 (16 3)

Income	Unit	1987 88@	1986 87	1985 86	1984 85	1983 84	1982 83	1981 82	1980 81
Gross Domestic Product (current prices)	Rs crore	2 93 306	2 60 680	2 33 305	2 06 732	1 86 406	1 58,851	1 42 876	1 22 226
Gross Domestic Product (1980-81 prices)	Rs crore	1 70 363	1 64,441	1 56 083	1 48 955	1 44 391	1 33 830	1 29 776	1 22 226
Per Capita Income (1980 81 prices)	Rupees	1 918	1 892	1 836	1 791	1 781	1 687	1 686	1 627

* For current year upto latest month for which data are available and for corresponding period of last year
** Excluding gold and SDRs + Upto latest month for which data are available
++ Provisional data @ Quick estimates
Notes (1) Superscript numeral denotes month to which figure relates e g, superscript[1] indicates that the figure is for January and so on
(2) Figures in brackets denote percentage variation over previous period

Musings during a Debate on Panchayati Raj

Arun Ghosh

It is not easy to see why the Constitution Amendment Bill on panchayati raj was being rushed After all it is essentially the Congress(I) ruled states which have been notorious for not holding panchayat elections and that problem could surely be resolved within the party, without any need to amend the Constitution But if the real objective of the bill is pre- election propaganda then the withdrawal of the bill at a certain point of time laying the blame on the opposition, may make good political sense

I

Pray do not sneer hold back your frown
For every circus has its clown
You're all too serious all too tense,
But don't take leave of commonsense
What's a circus without a clown?

II

Though as it happens the comic clown
Is the slickest guy about the town
He always sees the side that's buttered
Eschews the ones with losers cluttered
The privileged jester of the Crown

III

You may get him battered never down
The sophisticated man of town
Pray spare your contempt and your pity
He knows his way around the city
The courtier writer dressed as a clown

IV

He wears the robe the wig the gown
The mantles passed from White to Brown
Pray spare your speech do not debate,
He can manipulate the Fourth Estate,
The pack of jokers as your clown

See gathered men of great renown
In the biggest circus of the town
In the central hall they pontificate
On the role of the people and the State
What's a circus without a clown?

VI

In the babble of voices yours will drown
In shouting you can't match the clown
It matters little what you say
The clown has a boss who'll have his way
Every circus has its clown

Laughter is of several kinds There is the laughter of the child—a reflection of innocent merriment There is the laughter of the crowd at seeing a well dressed man skid on a banana peel—not quite so innocent yet without malice The malicious smirk that is evoked by the sight of the fall of one's rival is not really laughter nor is the broad smile one sees on the face of an unlikely winner in any contest of skills So the only other category of laughter is laughing at oneself What a pity this last category of laughter is getting so rare, relieved only occasionally by the likes of Laxman

But the ingredients for invoking this last category of laughter are now pervasive One has only to attend any seminar on the issue of 'people's participation'—only one subject mind you out of many that are the current favourites for the circuses that go in the name of seminars—and it is difficult not to get amused What else does one do when senior citizens start behaving either as children innocent of the implications of what they are saying, or as illiterate goons arguing about matters which are beyond them? There is little point in losing one's temper it leads you nowhere The only choice is merriment

The latest development is that the Constitutional Amendment Bill on the panchayati raj has been held over for the next session of parliament It is not easy to see why the bill was being rushed—after all, it is essentially the Congress(I)-ruled states which have been notorious about not holding panchayat elections, and *that* problem could surely be resolved within the party over which there is monolithic hold without the need for a constitutional amendment—except that the provisions of the bill as proposed in the absence of any devolution from the centre to the states to begin with, appears to be oriented essentially to establishing a direct nexus between the centre and the districts, bypassing the states Though this has been officially denied, the prime minister has also stated publicly, and repeatedly, that the central move to pass on all funds, whether under the Jawahar Rozgar Yojana or otherwise, to the district magistrates (and to the sarpanches of mandal panchayats in some areas) is calculated to ensure that these funds are not diverted by the state governments That this is a bizarre scenario can be easily seen from the already stringent conditions imposed by the centre in regard to the use of funds released under Centrally Sponsored Schemes For instance under the RLEGP every scheme even at the village level was required to be approved by the central authorities

As far as the Panchayat Bill is concerned perhaps the only constitutional amendment - which incidentally was recommended by the Sarkaria Commission now a forgotten report even though the government had reportedly accepted it is that there must be periodic elections to the panchayats provided for under the Constitution It is a pity that the opposition parties could not agree that this minimum provision is the only necessary provision in the Constitution and that all other provisions which are matters of detail should be dropped from the amending bill

But then if the real objective of the bill is mere pre election propaganda then the withdrawal of the bill at a certain point of time laying the blame on the opposition may make good political sense However sometimes the obvious is not so obvious At any rate the extreme centralisation inherent in the bill as proposed may be a double edged sword for who knows what the results of the next election will be

Nonetheless no matter what happens in the next election the bill in its present form is highly dangerous We have seen over 1977 80 that nobody likes to shed power And, in case the bill does get enacted in its present form the possibility of its getting amended by the next parliament is almost zero

Is this then, an occasion for laughing at ourselves? Well if we do not laugh at ourselves, we must realise that everyone else is doing so already like the crowd laughing at a well dressed gentleman skidding on a banana peel Consider the facts We are in Sri Lanka at the invitation of the Sri Lankan government, but refuse to come away long after the welcome sign has been taken down We have had to place the Budge Budge jetties—earmarked for imports of petroleum products into Nepal—under repair, and therefore out of commission We have very rightly and naturally protested against the supply of sophisticated radar equipment and the latest bombers and missiles by the US to Pakistan, immediately after the successful firing of 'Agni', the latest sign of our triumph over technology And, of course, we have objected to the development of nuclear capability by Pakistan when we have always insisted on our own inherent right to develop such capability

These issues have nothing to do with pan-

chayati raj And yet, in a manner of speaking, they do We seem to have lost our sense of 'accountability, lost our capacity to see the other man s point of view We also seem to have lost the humility that comes only from strength The somewhat free use of colourful adjectives in our legislative bodies is but one sign of these newly emerging traits in our national character

When a legislative proposal for decentralisation (proposed with the intent to centralise power and authority to a greater extent than in the past) cannot be turned to advantage by those who desire genuine decentralisation—and who are in a position to achieve this objective—it may mean one or two things It could mean that those who genuinely desire greater decentralisation are woolly and vague Or it could mean that they cannot bury minor disagreements among themselves even for a major cause for essentially personal reasons Perhaps both the above are true to a certain extent Perhaps we are not very different today from the angle of societal development from our ancestors two centuries—may be ten centuries—back

Perhaps we need to realise this point and initiate a process of serious introspection since we need a somewhat basic transformation of the national character from the present grab a grab can attitude which appears to permeate our economic and political life

But then there is little point in getting to be unduly serious when we are really not in command of the situation After all in the history of a nation a few years lost are of little consequence Perhaps we should really learn to laugh at ourselves more spontaneously and more universally When the well dressed gentleman skids off a banana peel he should start laughing at himself thereby he turns the bystanders laughter into anxious enquiries about whether he has hurt himself At any rate we need a sense of humour to keep our sanity We need a few Laxmans a minimum of one in every language in this large country to restore to us our sense of perspective today

CAPITALSCOPE

A Mirror Election in the Offing

Bhabani Sen Gupta

After a long lapse of time we are going to have a normal election In an abnormal time, when we are skating along the edges of fundamental change in the Indian political process

THE Lok Sabha election of 1989 will most probably be a mirror election reflecting as objectively as an election can the socio economic changes that have accumulated in India during the last decade and more This election will not be swayed by a positive or negative wave Large segments of the voters will have no reason to reject Rajiv Gandhi perhaps matching segments of voters will not wish to see him back to power The Congress(I) turns off vaster segments of the voters than does the prime minister while voter enthusiasm for the coalition mosaic of the opposition parties is to put it mildly not effervescent

The Congress(I) is as much faction ridden as is the opposition cleaved among its constituents Candidates of both sides will probably be damaged in an equal measure by internal rivals and inner-party squabbles The Congress(I)'s enormous resources—money the official machinery, manpower, organisation, propaganda capabilities, total control of the electronic mass media—are more or less evenly matched by the resources of the opposition chief ministers who are popular, some of them charismatic, in their respective states, the high image of Vishwanath Pratap Singh, and the mobilisational capabilities of the different parties in their respective areas of political influence. Neither side appears to be better equipped than the other to win the voters' minds with purple slogans If newspaper surveys are to be believed corruption charges against the prime minister are not likely to turn off vast numbers of rural voters Similarly the propaganda flagship of the ruling party panchayati raj and power to the people, is unlikely to set the minds of the rural voters on fire

ABNORMAL TIMES

After a long lapse of time, we are going to have a normal election

In an abnormal time Abnormal because we are skating along the edges of fundamental change in the Indian political process If political actors look and behave in a Chaplinesque manner, it is because they do not seem to comprehend the fundamental political change that stares India in the face or are not ready yet to acknowledge, and submit to it

There is also an air of historical inevitability about the qualitative change that has occurred to our political life. It is beyond human control, and therefore inevitable

By fundamental change is meant the permanent end of the single-dominant party system or of the hegemony of the ruling incarnation of the Indian National Congress Also the emergence of a durable multiparty system, the country ruled by a rainbow coalition of different parties, and the thrust of an emerging new alignment of social and political forces pushing the country towards coalition politics at the centre and decentralisation and federalism in political and economic management To be sure, the transition will take time. The decline and fall of the hegemony of the Congress Party has taken 20 plus years to mature. The process of coalition and decentralisation, however will work faster perhaps in a decade

This election will put an end to the imperial prime minister Whoever is elected to the highest executive office will not command a brute majority in parliament He will be lucky to have a good working majority He will face a strong, vocal, self-confident opposition challenging his rule. Yonder in the land he will find power shared between his and other parties in a more or less equal measure He will be obliged to seek consultations and co operation with the opposition in parliament as well as the opposition chief ministers Electoral confrontation will probably lead to post-election partnership in governing the country

It is necessary to note that the single-dominant party system or what Rajni Kothari called the Congress system more than 20 years ago means the Congress Party holding power not only at the centre but also in most of the states The imperial grandeur of the centre draws substance from power exercised in the states where national state and rural politics mix and mingle The hub of India s political life is not Delhi but the state capitals That is the main reason why the party ruling at the centre is tempted to bring as many states as possible under its rule

A party ruling at the centre but not in several states is less than a hegemonic party From this standpoint Rajiv Gandhi's first term as prime minister has been loaded with a major contradiction laced with a bitter irony A majestic majority in parliament has bred in his government party and himself an attitude and a behaviour that is hegemonic But the limited range of the Congress(I) s power base in the states—at one time nearly one half of the 26 states were ruled by opposition parties—has made hegemonic rule impossible The opposition chief ministers have often tried to project themselves as constituting an alternative power centre They have not been entirely without success The opposition governments in West Bengal, Tripura, Karnataka and Andhra Pradesh, with their successful experiments in democratic panchayat raj, persuaded the prime minister to offer the rural and urban people of India constitutionally guaranteed democratic self-government at the grassroots level This two-way traffic of ideas and experiments in political management of the country is an

unprecedented event in India's career as an independent nation

COMPLEX INTEGRATION

A complex process of integration has taken place in India between the centre and the states State politics ceased to be autonomous of the centre as far back as the late sixties The coalition government in Uttar Pradesh in 1969 between the party of the late Chaudhury Charan Singh and the Congress Party of Indira Gandhi brought UP and the centre together in a dynamic embrace A stunning reality of Indian politics is that the party that is rejected by the voters of UP and Bihar cannot aspire to be ruling at the centre To be able to govern India a political party must be able to govern most of the Hindi belt

Sinews of development have knit the states and the centre more closely together than ever before Science and technology have shortened the distance between the centre and the states and between states and states The growing demand for federalism decentralisation and devolution of power and resource from the centre to the states and down below to the basement of the political society is to be seen together with the increasing integration of the Indian state its steady if necessarily slow transformation from a soft to a hard state

Integration and federalism are not politically contradictory processes a fact that many Indians refuse to acknowledge Indeed federalism and devolution have become essential for further integration of the union as the model of nation building from above and the command control style of politics have spent their usefulness and do not answer the demands of micropolitical and microeconomic development which can be attempted and sustained only from below with effective continuous popular participation

This is where the imperial hegemonic leadership of the Congress Party has had its gravest failure it is not in tune with the changing temper of the Indian political society This leadership has not recognised the inevitability of a multiparty regime in India Even if non Congress(I) chief ministers rule in some states the ruling Congress(I) leadership expects them to submit to the overpowering majesty of the centre A distinction is made between national and regional leaders' when in reality a regional leader is also a national leader because he relates the region to the nation and is second to none in caring for national interests as he sees them Indeed in the opposition camp, the rising stature and influence of the chief ministers has meant a corresponding shrinking of the importance and influence of national leaders without strong and stable popular support bases of their own A multiparty political system negates the hypothesis that national psyche, national ethos and national perspectives are manufactured in Delhi alone

Cultural contradictions of the fading single dominant party system account for the current elite ambivalence about the legitimacy of a multiparty system in the Indian scheme of politics Four decades of political stability provided by the hegemonic Congress Party have produced an elite mind set that tends to see in a multiparty system fearsome possibilities of fragmentation of the state its balkanisation and disintegration The mind set places a high premium on a two party system and rejects coalitions as a substitute Indeed the insecurities of the elites get reflected in the fluids that go to the making of a multiparty system

ELITE PREFERENCE FOR SINGLE PARTY GOVERNMENT

Political parties however are not to elite wishes born The seeds are sown by history in the process of accumulated social change The Indian single dominant party system is a gift of history the Indian National Congress having won the freedom struggle determined to build a nation that it would govern without challenge from other parties That is how the single dominant party system lasted 20 years without interruption and another 20 years with interruptions and growing erosion Its demise does not necessarily create a matching national party The political parties that straddle the Indian scene today have grown partly in reaction to the behaviour of the Congress Party after it became authoritarian in the 70s partly because the twice split Congress Party could not keep under its influence large segments of the population getting politicised in a live democracy, and partly because other political parties were able to build their own mass support bases around ideologies and action programmes different from that of the Congress Party India's diversities were absorbed by the Congress Party when it was a grand coalition of different castes classes and interest groups Nehru went out of his way to encourage and defer to what parliamentary opposition then existed and functioned though he did not hesitate to overthrow the elected communist government in Kerala through means by no means democratic because he was deep in his mind afraid of the real threat to the Congress Party's hegemony a threat that in the late 50s one could see likely to emanate only from the left in coalition with progressive forces growing in the suburbs of the Congress system

A long period of single party hegemony has not only made the emergence of a stable coalition of opposition parties difficult, it has also created a subjective gap between the elite mind set and a coalition which is axiomatically taken to be weak and unstable. Long years of experimenting with nation building from above have developed an architecture of integration sculpted from Delhi and erected at the initiative and under the leadership of the central government and the power elite

In general, the power elite in India is profoundly influenced by the ethos of the hegemonic party as well as its political behaviour even its foreign policy behaviour This elite watches the disintegration of the hegemonic party with gasps of anguish and horror It is shocked and even outraged by certain political and ethical lapses of the hegemonic leadership The power elite does not hesitate to point out and lament these lapses It even yearns for an alternative But the alternative must also be national it

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must be able to replace the Congress(I) as a strong and united party under a hard' leadership so that it can carry forward the labours of building a hard state

The elite preference in India for a single party national government at the centre defies the historical experience of the leading democracies of the world Even at this time several European democracies are governed by coalition governments their stability is not in question even when they go in for mid term election only to be saddled with returned coalitions The Fourth Republic in France was characterised by a long history of coalition governments even in the Fifth Republic, there are at times asymmetries between the political colour of the executive president and that of the majority party in parliament from which is drawn the prime minister Italy is continuously governed by coalitions So at this time are the German Federal Republic and several Scandinavian and Nordic countries Even in Britain the two party system is of recent vintage, evolved only after World War II from the womb of the war time national government Prior to the war Britain was ruled by coalitions of both the right and the left and the centre The European experience does not prove that coalitions prevent the evolution of a hard state from a soft one, or are incapable of dealing with internal strains and external threats and containing centrifugal forces and steadily strengthening national integration

In India elite aversion to coalition can be traced partly back to the vertical pillars of the castes on which our society has stood many thousand years There has been few instances of caste coalitions but mechanisms of mediation, arbitration and adjudication of interests and demands have been in action throughout the historical period The vertical pillars of societal division invoke a strong and supreme leader who can keep the pillars together by charisma or force preferably a combination of both Now close to the 21st century, the still surviving cultural hankering for a supreme leader (Mahatma Gandhi was appointed *dictator* of the Indian National Congress in the mid 20s in order to swiftly cement the party s crack after the birth of the Swarajya Party) is challenged by the erosion all over the world of integration models built from above, of the hegemonic systems of governance and economic development Forces hitherto marked as progressive and integrationist are being found lacking in the substance of democracy without which there can be no stable integration at the micro level In the coming years the nation building engineering of this century, which began with building a socialist superstate in the USSR and culminated in the building of well over 100 nation states in the third world, many of them multinational, will probably be drastically modified and readjusted to ascending demands for decentralisation and devolution of power and resource The Indian model can be no exception

Indeed, installation of a coalition of opposition parties in New Delhi will accelerate the process of decentralisation and devolution of power and resource from Delhi to the states and from the states to the rural panchayats and urban municipalities The really powerful men in the opposition today are the chief ministers who rule in the opposition states in Vishwanath Pratap Singh the chief ministers have found a charismatic leader who answers some of the basic requirements of filling the office of prime minister one of which is that he or she must come from the Hindi belt or the western states of Gujarat and Maharashtra which are geopolitically linked with the Hindi belt If the opposition wins the coming poll it will be because of the rallying capacity of the chief ministers plus the charisma of V P Singh Leaders without proven mass support base are straw men of Indian politics now Their ability to make positive contribution to the fortunes of political parties is strictly limited

Vital Hindi Belt

The great weakness of the Congress(I) is that it does not have a strong gaggle of chief ministers and pradesh Congress chiefs In December 1984 Rajiv Gandhi was the party s sole campaigner With an extravagant use of official airplanes and helicopters, he campaigned personnally in 300 constituencies Since 1985 however he has not been able to lead his party to a single notable victory in the state elections If Rajiv Gandhi turns out to be once again his party s single campaigner in the coming Lok Sabha poll the lesser mortals in the party will have serious cause for anxiety However, there are unmistakable signs of a revival of chief ministers in the Congress(I) since the party's rout in the Tamil Nadu election in February 1989 Not only has the prime minister not been able to dismiss a single chief minister he has deferred to several of them and given them virtual run of their states through the next election It seems that in the nomination of candidates men like Jagannath Mishra, Sharad Pawar and Narayan Dutt Tiwari will have a substantial voice After the election chief ministers will be much stronger in the Congress(I) Party than they have been in the last four or five years indeed since the Emergency of 1975

The outcome of the poll will be determined in the Hindi belt The Congress system began to break down in the Hindi belt in 1967 68, when the party, to the astonishment of most observers, lost control of as many as eight states Since then a certain pattern seems to have set in India's electoral politics The collapse of the Congress(I) s stable support base in the Hindi belt has imparted tremendous dynamics of instabilities in the party's electoral and political fortunes Only the intervention of an overpowering event external to normal politics helped the Congress(I) to restore its hegemony over time, the restoration has tended to be less and less complete But for the intervention of extra-powerful events, profoundly swaying the minds of the voters, the Congress hegemony would have passed several years before, and the country would have been in the grip of a multiparty system at the centre and in many of the states

After losing political control of eight states in 1967 68 the Congress led a minority government at the centre as a result of the Lok Sabha poll of 1969 and survived with the support of the communists In 1971, Indira Gandhi won back the centre partly with her socialist actions and slogans and partly because the lengthening shadows of the Bangladesh and Pakistani crises argued strongly for a strong and stable government at the centre It was the military victory in the Bangladesh war that enabled Indira Gandhi to restore the Congress system in India by which as noted is meant governing both at the centre and the vast majority of states But in three years the Congress system was plunged into a deep crisis, the democratic process itself was suspended with the promulgation of the Emergency regime. In the election of 1977 the Congress was wiped out from the entire Hindi belt Its domain was now confined to the south

The Janata Party created by the sweet gunshot of power failed to build its base in the Hindi belt When it collapsed in 1979, it also split into smithereens and was miserably unable to put up a united fight to the Congress(I) in the poll of January 1980 It was a negative wave that swept Indira Gandhi back to power However the Congress system could not be restored In 1983, the party lost its southern bastions of Karnataka and Andhra Pradesh and was locked in two serious conflicts with two states Punjab and Assam

Though the Congress(I) won an impressive victory in 1980 with 42 7 per cent of the valid votes and 353 seats its victory in the Hindi belt was shallow It won 139 seats in five states of the Hindi belt—UP, Bihar Rajasthan Madhya Pradesh and Haryana out of a total number of 214 seats But in a mere 34 did its candidates win with an absolute majority of votes, and in UP in a miserable number of 5 constituencies The party s share of the total valid votes in the Hindi belt was significantly lower than that in states like Andhra Pradesh, Karnataka Maharashtra Orissa and even Punjab In Uttar Pradesh it was a mere 35 9 per cent in Bihar 36 4 per cent in Haryana as low as 32 6 per cent

When the Congress(I) lost the south, it faced a mortal crisis because its base in the Hindi belt was far from reassuring Indira Gandhi got intimation of the danger and swiftly announced the appointment of the Sarkaria Commission to pre-empt the issue of centre state relations emerging as the dominant theme of the next Lok Sabha poll Most political observers in India agreed that if the Congress(I) went to the polls with Indira Gandhi as leader, it could at best get back to power with a razor thin majority, at the worst, lose the election heavily to a

re-emerged coalition of opposition parties

In 1984 another powerful external factor the assassination of Indira Gandhi intervened in the December election and handed over to Rajiv Gandhi the handsomest election victory ever won by the party The nation was in shock It felt suddenly insecure It found in Rajiv Gandhi the promise of national strength and cohesion of youthful vigour and visions For the opposition the disappearance of Indira Gandhi from the political scene meant the disappearance of the only factor that could keep them together in the hustings A scattered and demoralised opposition engaged in a listless campaign hurting itself more than its rival

The Congress (I) won a stunning total of 401 seats in the Lok Sabha out of a total of 542 In the Hindi belt it captured 204 seats compared to 139 in 1980 Commentators pronounced the death of the opposition What was ignored however was an important footnote to the massive Congress(I) victory

In Uttar Pradesh Charan Singh s DMKP held to 22 per cent of the valid votes only 7 per cent less than what it had got in 1980 It finished second in 59 other constituencies in UP in 14 in Bihar and as many as in 10 in Haryana Students of the 1984 election came to the conclusion that it did not liquidate the support base of the opposition parties especially of the Lok Dal (the latest incarnation of Charan Singh s party) indeed the core support structure of the opposition as well as the Congress(I) remained largely intact

Even with its massive assertion of electoral supremacy in the Lok Sabha poll Rajiv Gandhi could not restore the Congress(I) hegemony in Indian politics Three months after the Lok Sabha poll the electorate freed from the trauma of Indira Gandhi s assassination denied the ruling party victory in the states that it had already lost to the opposition parties The party indeed lost a small state, Sikkim without any compensation wrested from the opposition parties until in 1987 when it won a single seat victory in Tripura

In the Hindi belt the Congress(I) fared significantly worse in the state assembly polls than in the Lok Sabha poll with the sole exception of Bihar In Uttar Pradesh it lost 40 of the seats it had won in 1980 The Congress(I) share of the valid votes was 39 3 per cent compared to the Lok Dal share of 21 3 per cent In Madhya Pradesh the opposition won 70 seats and improved its voting share to 32 4 per cent from the 1980 one of 30 3 per cent Rajasthan gave the Congress(I) 20 fewer seats in 1985 than in 1980 The Congress(I) fared worst in Maharashtra where the most powerful opposition faction the rump Congress led by Sharad Pawar won 54 seats and 17 3 per cent of valid votes Rajiv Gandhi lost Punjab Haryana, Mizoram Kerala and Tamil Nadu to the opposition parties in later elections

The political management of the Hindi belt showed signs of weakness rather than strength Bihar, Uttar Pradesh and Madhya Pradesh had three chief ministers each in four years Rajasthan had four Haryana s pradesh Congress(I) chief was changed as many as four times After the party's defeat in Tamil Nadu Congress(I) MLAS in Bihar virtually rebelled against the chief minister appointed by Rajiv Gandhi and forced his resignation the prime minister put Jagannath Mishra in charge of the state Congress(I) after keeping him in the wilderness for four years Meanwhile, the electorate in the Hindi belt sent alarming signals to the Congress(I) leadership From the mini election of the summer of 1989 to the municipal elections in Lucknow and Allahabad in 1989 the Congress(I) lost more than it won at the hands of the voters

WITHERING OF CONGRESS AT GRASSROOTS LEVEL

It is against this backdrop of electoral ebb and flow in its fortunes that the Congress(I) will be facing the electorate again before the end of 1989 Its fatal faultline is the withering of the party at the grassroots level Districts are the mainsprings of political alignments in India s elections. The Congress was able to dominate district politics in Uttar Pradesh only with the help of coalitions of the dominant castes and communities The Congress leadership at the state level was able to link the party to dominant rural communities This of course, made the Congress dependent on segments of the rich landlords

The district base of Congress power was effectively challenged in the late 1960s by Charan Singh who weaned away the middle peasant from the dominant party This constituency of small capitalist farmers form 30 per cent 40 per cent of the state s electorate and belongs to the backward castes Indira Gandhi s response to Charan Singh s challenge was an effort to combine elements from the top and the bottom of north Indian society Brahmins landed groups the poor and the minorities The old pattern of aggregating power from the bottom up was abandoned This pattern inevitably gave importance to state and district factional leaders It was replaced by control from the top by the supreme leader who combined party presidentship and prime ministership in a single unquestionable authority The result was the withering of the influence of state and district leaders Of the two district level leaders fared worse Those who could manage to do so shifted their station to the state capitals Others joined non Congress parties Some drifted away to business or other occupations District Congress committees existed only in name during Indira Gandhi s later years as prime minister

These have not been activated by prime minister Rajiv Gandhi In his four and a half years and more even some of the pradesh Congress committees became defunct It was only in late 1987 that Rajiv Gandhi turned his attention to activisation of pradesh Congress committees But his failure to hold party elections left him with the lifeless bodies of totally nominated pradesh and district committees It is doubtful if these bodies and their office bearers will be of much help to the prime minister in mobilising voters and bring them to the polling booths on election days

No extraordinary external factor is likely to intervene to create a pro-Congress(I) wave before polling day A war with Pakistan is as unlikely as one with China Indeed with both countries India s relations are on the mend relieving the security scenario of considerable pressure and denying the national security elite the pleasure of spinning worst possible scenarios to scare the voters

There is of course a dim law and order situation in Kashmir with pro Pakistani elements playing their role But the sharp decline of political order in Kashmir is the result of the political power sharing pact between Congress(I) and the National Conference It is unlikely that Pakistan will get involved in subverting Indian control of Kashmir before the election or that tension and conflict plumbers at the disposal of the ruling party will be able to build up a threat scenario that will push the voters *en masse* to the polling booths of the Congress(I) At the worst the centre may put off the election by a few months thereby hurting its own credibility as winner of the grand contest

All indications then point to a normal mirror election between the autumn and winter It will also be the most bitterly fought election so far with no holds barred in the telling of contestants Invectives will fly like poisoned arrows Characters will be assassinated freely Rhetoric of abuse and insult will be hurled in abundance. The dirty trick department of the ruling party will come up with charges against opposition leaders that are meant to outrage the voters The opposition will strain its own resource to reply in kind

These are the wages that the country will have to pay for the final withering of the single dominant hegemonic party rule Hopefully it will rally soon after the election drawing upon the inherent strength of a democracy the life force of the nation No nations political journey has ever been roses all the way Landslides storms disasters have to be faced and so India is now in tryst with hard but exciting times

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Battle for Self-Reliance in Telecommunications

B M

There are scores of hastily negotiated foreign collaboration deals and dubious import arrangements Hence clearing the field for indigenous technology and infant production capabilities will be a difficult task

MISSION better telecommunications was launched by the department of telecommunications of the union government as far back as in April 1986 It was subsequently renamed the National Mission on Telecommunications and brought within the ambit of the so called Technology Missions under the leadership of Sam Pitroda to tackle on a priority basis some of the country s critical societal concerns Unlike the missions for adult literacy immunisation and drinking water the telecom mission was however admittedly urban oriented even though it was supposed to give special attention to rural communications as well It was also admittedly the only true *technology* mission in the original sense of the term since the key factor to be brought into play was the introduction of modern digital technology and computerisation in the telecom network Further it was a mission which had to be implemented entirely by the central government and the state governments had hardly any role to play

These specific features of the Telecommunications Mission also determined its scope and priorities The emphasis to begin with was placed not on the revamping of the entire telecommunications system in the country but improving the quality of service in certain high density sectors in the system in particular Bombay and Delhi But the improvements which were proposed to be made were by the very nature of things difficult to define or quantify even while the system as a whole tended to decay The evocative aim of ensuring customer satisfaction was bound to remain elusive The attempted shifting of priority from increasing what is called density to accessibility failed to make much impression when actually the waiting list for telephones tended to increase at a fast rate So far as the attempt to improve or enlarge rural communications was concerned it was inspired by the idea of field testing the C Dot technology which had been developed during the first leg of Sam Pitroda's technological enterprise after his return to India four years ago This was expected to pave the ground for wider application of C-Dot technology The 'C-Dot/RAX Every Day' programme launched in 1988 was intended to be a demonstration of the priorities self reliance customer satisfaction accessibility that were claimed to guide the technology mission on telecommunications

The setting up recently of the Telecommunications Commission with full government powers with Sam Pitroda taking administrative charge of the department of telecommunication as its secretary and by virtue of that occupying the office of the chairman of the Telecom Commission has however been claimed to mean that the period of tinkering with the system was over and that the revamping of the entire telecom system had been placed on the agenda The Telecom Commission may therefore be said to have taken over and submerged the technology mission on telecommunications The celebrated C Dot project of Sam Pitroda will also shortly lose its separate identity and be merged with the telecommunications research centre of the department of telecommunications to form an autonomous society for R and D purposes under the umbrella of the Telecom Commission These developments have naturally called for reordering of priorities establishing new balances and refining linkages in the development of the telecommunication system on a sound techno economic basis

The aim of the Telecom Commission as proclaimed by its chairman is to promote technological self reliance and indigenous production capacities Imports for the telecommunications sector are planned to be cut to less than 5 per cent of the products that go into the system The expansion and modernisation of telecommunication services so that they become available on demand and give reasonable satisfaction to the customer is proposed to be achieved on this basis These are commitments publicly made and have to be honoured The Telecom Commission claims to have got down to serious business at once with wide ranging policy and management initiatives evidently made possible because Sam Pitroda had framed and experimented with a policy package and programme of action well in advance through his work in C Dot and in the Technology Mission on Telecommunications Pitorda, it is claimed by those close to him is now ready to grapple with his wider and larger responsibility of revamping the telecommunications system as a whole This unquestionably is an important and daunting task of far reaching significance The telecommunication system, after all is a very important service industry

The setting up of the Telecom Commission which will plan and co ordinate the development of this vital service industry, is indeed being proclaimed as the starting point of another revolution the telecommunications revolution Sam Pitroda is said to have wrested after a fierce tussle the office of chairman of the commission from the bureaucracy entrenched in the department of telecommunications (DOT) This is supposed to mark a significant victory of the technocrats over the bureaucracy in the official set up But the winding up of the Electronics Commission at the same time must not escape notice The ways of the government headed by Rajiv Gandhi have always been wayward and are not necessarily influenced by rational criteria The power of the bureaucracy in the system must not in any case be underrated This is relevant as much to the telecommunications sector as to the other sectors of industry or infrastructure Also the telecommunications ministry remains even though the Telecommunications Commission is supposed to be invested with full government powers When the commission was formed a cabinet minister was still in position He was not expected to cool his heels in that position and merely answer questions in Parliament Sam Pitroda after all is chairman of the commission by virtue of being secretary to the department and not the other way round The bureaucratic machine thus remains in fact even in the telecom department

Sam Pitroda has reiterated after taking over charge of the Telecom Commission his commitment to technological self reliance, promotion of indigenous production capacities and capabilities and cutting down of imports of products and technologies that go into the telecommunications system This commitment has however been regarded by many with a great deal of scepticism The past record of the department of telecommunications is hardly reassuring A problem that is bound also to arise in this context is that any slippage or lag in the indigenous effort for whatever reason will be exploited by the import lobby and the entrenched bureaucracy to deride indigenous efforts and achievements and to reverse the policy direction The Telecommunications Commission in fact does not have a clean slate to work on The telecommunications system is badly tangled held together by incompatibles and cluttered with imported technologies, systems and products

There are scores of hurriedly made foreign collaboration deals and dubious import arrangements both in the public and private

sectors It is going to be a difficult task to clear the field for indigenous technology and production capabilities still in their infancy to take over and accelerate the expansion and modernisation of the telecommunication network Will for instance the import orders and collaboration deals already made be simply cancelled? It is not going to be easy to get round them either The complex bureaucratic procedures will take some doing to overhaul A time table is claimed to have been set for new work and new approaches [illegible] of personnel forming out of [illegible] applies to indigenous [illegible] in the country weeding out of [illegible] proposals and [illegible] production 20 to 30 [illegible] proposed to be produced efficiently [illegible] volume How the proposed time table will work out in practice is yet to be seen

It is [illegible] tended in many quarters that it will not be possible to curtail import to any appreciable extent because domestic production is not picking up at a fast enough pace and there is a plethora of foreign collaboration and import arrangements to meet the pressing demands of the telecom network There are [illegible] many as 113 such collaboration arrangement Some of them are proposed to be made infructuous by simply not placing any orders on these sources But many are bound to muscle in on the telecom scene C Dot is still not ready to productionise its technology in a big way and end dependence on imported digital switching systems The Mahanagar Telephone Nigam was set up to expand and modernise at a fast rate telephone services in Bombay and Delhi is also going to pose problems The human resources available for investment in the telecom sector as in all other sectors have tended to be foreclosed for the modernisation of telephone services in the two metropolitan centres of Delhi and Bombay the political and business capitals respectively as it is said of the country Even Calcutta and Madras stand divested of their claims on the telephone map of the country The elitist orientation of the management of the telephone services was indeed embodied in the very charter of the Mahanagar Telephone Nigam This is very much in tune with the overall development philosophy of the present establishment which besides its many other features has a marked weakness for spectacles and extravaganzas at selected points while the national scene as a whole remains drab and depressing

The moves initiated by the Telecom Commission immediately after its constitution have been rather striking and may even be said to be in tune with the proclaimed commitments of Sam Pitroda The planning commission has been informed that the proposals for the development of the telecom network during Eighth plan would be reviewed and a modified plan for the telecommunication sector would shortly be prepared and presented Significant in this context is the decision not to import any switching technology The telecom development and expansion programme is planned to be based solely on C Dot technology The Telecom Commission has also found enough indigenous capacity to meet the target of commissioning 1 5 million lines yearly after 1990 91 C Dot has given licences to 40 units for manufacturing 20 000 lines each annually In the small scale sector alone there exists a capacity to manufacture 6 lakh lines a year The public sector unit at Mankapur also has a licensed capacity to manufacture 1 5 lakh lines annually The other two units at Raebareilly and Bangalore have a combined capacity to manufacture 1 5 lakh lines The country is therefore well equipped to manufacture its switching requirements C Dot's larger exchanges with above 2 000 lines are under test They are likely to go commercial in another six months The Telecom Commission proposes to set up four regional production units for the manufacture of larger exchanges of 8 000 lines and above based on C Dot technology to meet the demand of the larger cities

The Telecom Commission has also articulated reservations on the utilisation of the World Bank's $350 million loan negotiated in May 1987 The commission wants to renegotiate the loan terms with the World Bank in order to provide for import of components instead of the products listed in the agreement which can be manufactured indigenously Import of products under the Bank loan it is being argued will be detrimental to the development of the domestic telecom industry It is felt that if the Bank refuses to consider renegotiation the loan should not be taken The World Bank had extended the loan to finance imports for upgrading the telecom network in the four major cities and the long distance links among them $150 million have already been drawn for import of cables jelly filled cables and certain other equipment But these products can be manufactured indigenously Hindustan Cables in the public sector is in fact operating at only 60 per cent of its capacity due to lack of orders The Telecom Commission has therefore called for a review of the agreement

The commission has also decided to activise established capacities in the private sector also for the indigenisation programme It proposes to procure one third and eventually one half of telecom equipment from the private sector during the Eighth Plan period It is reported to have estimated that the total equipment needs including switching transmission, terminal and ancillary equipment will be worth Rs 19 240 crore in the next five years out of which orders worth at least Rs 7 000 crore can be farmed out to private sector firms This is expected to encourage investment in the manufacture of the equipment The three public sector companies Indian Telephone Industries (ITI) Bharat Electronics and Electronics Corporation of India (ECIL) can be relied upon to take care of the rest A detailed list of the equipment com

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ponents and systems required has been drawn up A meeting with representatives of private industry was held some time ago to discuss the procurement programme They were asked to take advantage of the procurement plan and discuss their problems relating to the manufacture of switching transmission terminal and ancillary equipment Rough estimates show that industry in the private sector is utilising hardly 60 per cent of its installed capacities

The ability of the Telecom Commission to maintain the momentum and fulfil its promise will however be determined by many imponderables outside its ambit and control It is likely to encounter many adverse influences and pressures Already for instance when the prime minister very eager to make all kinds of populist noises and gestures called for instant installation of telephones for village panchayats Sam Pitroda was persuaded to respond without due examination of the proposition on a sound techno economic basis The development of telecommunications must not be allowed to be influenced by the political populist concerns of the ruling establishment it must be governed by sound techno economic and commercial criteria

Sam Pitroda himself is known to enjoy the confidence and support of the prime minister His position as the prime minister's technology advisor with the rank of minister of state has given him stature and clout in the ruling coterie His appointment as secretary of the department of telecommunication by virtue of which he is also the chairman of the Telecommunications Commission is however protocol wise rather odd A departmental secretary holding at the same time the rank of minister is an unconventional arrangement But such things pass in Rajiv Gandhi's regime Sam Pitroda who returned to India four years ago is noted for his expertise in telecommunications He plunged straight away into development of indigenous technology and its application to India's bedraggled telecommunication system Those who have watched him at work in C Dot feel that it could give a decisive start to the upgradation of India's technological standards and capabilities not only in the telecommunications sector but more generally These hopes were strengthened when Sam Pitroda declared that the R and D labour of his team had laid the ground within a relatively brief period of three years for the commercial application of C Dot technology for developing and spreading the telecom network both in the urban and rural areas in the country

But there are some disturbing signals which must not be missed Sam Pitroda likes to proclaim from time to time a set of priorities for the development of technological self reliance He to begin with strongly and openly opposed the import of telephone systems from diverse sources—Japan, France, Sweden—which would go against standardisation and economies of scale and rob C Dot of competitive advantage and destroy its role in the development of India's telecommunication system on a self-reliant basis However, the powerful import lobby and entrenched bureaucracy in the department of telecommunications went ahead with collaboration deals with foreign interests A flash point in these developments was the decision of the telecommunications ministry to import cellular radio mobile telephones or car telephones which Pitroda was bitterly opposing as wasteful Pitroda suffered another set back when the government decided to spend precious foreign exchange and that too in a drought year to import push button telephones even when capacities existed albeit with foreign collaboration for their manufacture in the country What was ironic was the fact that the import lobby received a boost when the prime minister personally found time to visit a plant in Sweden manufacturing car telephones and made a call to the then secretary department of communications from there The fact is that Pitroda's role as technology advisor to the prime minister has not been as effective as some like to believe It visibly suffered after he stepped out of the quiet confines of C Dot and was ready to apply the results of his R and D effort in competition with powerful [illegible] corporations This position stood [illegible] when Pitroda tried to seek the support of the Indian engineering industry to formulate what he called a charter on technology policy and priorities which he intended publicly to present to the prime minister The prime minister in his address to the annual meeting of the Confederation of Engineering industry after his visit to Tokyo however chose to applaud the special role of foreign capital and technology which mocked at Pitroda's advice

Pitroda is emphatic that while enterprise based on internal competition may be encouraged in all areas there is need to protect indigenous enterprise from foreign competition The prime minister on the other hand favours an open door policy for foreign technology and capital It is not fortuitous that the sensitive area of telecommunications has been an arena of fierce competition from foreign interests Will this position be corrected in telecommunications at least after the setting up of the Telecommunications Commission headed by Pitroda? The trouble is Pitroda likes to stand apart from and above the system through which he must function

In many important areas of industrial and technological enterprise in the country among them notably fertilisers steel and heavy electricals indigenous R and D effort and production capabilities have been emasculated in the past by relying on imports investment of foreign capital and so called sophisticated foreign technology The political leadership devoid of any wider vision and commitment to the larger interests of the country and the people has been the spur for perpetuating this state of affairs The position in this respect has only worsened in recent years

Pitroda at the head of the Telecom Commission can indeed be made to look silly with his public commitments to self reliance and minimal imports for he seems to have hardly any influence on the Rajiv Gandhi government's decision making process working in favour of foreign technology foreign capital and liberalised imports Other distinguished scientists and technologists and experts in various fields have suffered at the hands of the entrenched political power system after basking briefly in glory as private advisors chosen by the prime minister and have been unable to influence official policy along the lines which they proclaim This is not entirely because of the flippant style of functioning of the prime minister The fact is that there are powerful influences working behind the scenes which turn official policy in favour of foreign capital and multinationals and control its implementation

What is also disconcerting in this context is the clever manner in which Pitroda's position and role in R and D work in the telecommunication area has been tended to be diluted He has been pushed out into areas unfamiliar to him The so called technology missions for adult literacy rural drinking water immunisation of children and pregnant women production of oilseeds and dairy development which have been entrusted to Pitroda for implementation are no *technology* missions at all which fall within the domain of his technical expertise These are admittedly important societal missions of the highest priority Sam Pitroda readily admits that he has little understanding of Indian society and is not even a serious student of the social and political forces at play in India The very idea that the application of modern technology and management tools through the bureaucratic administrative set up can be relied upon to achieve results in solving societal problems which involve large masses of people is indeed quixotic Acting on this basis will give in the absence of structural reforms in society results opposite to what are claimed as the ostensible purpose of the technology missions which are being carried out with much fanfare but not with impressive results Pitroda however seems to be so much under the spell of his messianic role that he does not hesitate to declare that if he had to choose between the so called technology missions and the Telecommunications Commission he would opt for the missions This speaks poorly of his perception of Indian socio economic and political reality for it would be a pity if he allowed himself to be deflected from his true calling of a technocrat and a specialist in his own field of telecommunications Just now nothing would suit the interests of the telecommunications multinationals and the import lobby within the country than to get him bogged down in the technology missions so that his clout in the telecommunications sector is minimised

Politics of a Food Crisis

Ashim Mukhopadhyay

Whereas the West Bengal public distribution system requires a lakh and a half tonnes of rice per month the centre's allocation has been far short of this amount The state government's note to the centre intimating the required amount elicited a peculiar response—a further reduction of the state's share

A SEVERE crisis confronts the public distribution system (PDS) in West Bengal There is an acute shortage of foodgrains in both the statutory and modified rationing areas a problem almost without precedent since the introduction of the system To make the situation all the more critical a substantial portion of the cereals released so far from the central pool is reported to have been labelled as unfit for human consumption or sub standard by the state food department While the matter is still under investigation one can hardly ignore the sentiments of the hundreds of thousands of consumers throughout the state affected by the quality of the rice or wheat they are being forced to accept for their very survival

It may be mentioned that on July 20 last the state chief minister Jyoti Basu handed over three small packets of rice meant for the PDS to the Pradesh Congress(I) president Ghani Khan Chowdhury who called on him at his chamber Basu requested Chowdhury to place the samples before the union minister of state for food Sukha Ram and urge for action against the concerned Food Corporation of India (FCI) officials who dared supply such harmful material Chowdhury carried the rice packets to New Delhi but reportedly got no definite answer from the food minister Anyway when Sukha Ram himself came down to Calcutta on August 5 he said the rice shown to him was collected intentionally by the state food minister Nirmal Bose from an FCI stock marked unfit Though Sukha Ram has pushed the ball into his opponent s court the fact should not be forgotten that as a partyman, Chowdhury is not a friend of either Basu or his food minister Had he not been convinced about the authenticity of the contents of the packets given to him he would have been the last person to carry it to the centre

As for the Left Front government, things are steadily deteriorating In the statutory rationing areas under the PDS, comprising greater Calcutta and the industrial areas of Howrah Hooghly, North 24-Parganas Asansol and Durgapur, more than one crore of people are awaiting their weekly supply from 2,745 fair price shops More than five and a half crore in the remaining parts of the state are fed by modified rationing through 17,045 shops Nowhere is the supply adequate and the consumers are far from satisfied about their standard

A high official of the state food department told this correspondent that whereas the PDS s monthly requirements were 1,50 000 tonnes of rice and 1 30 000 tonnes of wheat the union government had been allocating 1 25 000 tonnes of rice and 1,26,000 tonnes of wheat for some time The state government sent notes emphasising its actual need but in vain On the contrary since February 1988 according to the official there was a further cut in the supply By June the same year it went down still further and since February this year the monthly quota of rice for the PDS has been reduced to a mere 64 000 tonnes The monthly allocation of refined rapeseed oil has also been drastically slashed down, from 20,50 tonnes in December 1987 to 4 100 tonnes in February, this year In regard to the supply of levy sugar also the state does not receive its due share Against the annual requirement of 4 8 lakh tonnes, the supply from the central pool has been around 3 10 lakh tonnes, and the actual arrival has been even less As a result of such a heavy reduction in allotments, the scales of distribution for foodgrains, edible oil, etc, had to be cut down drastically by the state government according to the official

Another aspect of the present crisis is that there is a steady rise in administered prices of rationed articles, though the matter has repeatedly been brought to the notice of the union government For instance, the price of rice was enhanced as many as seven times within the period October 5, 1982 to January 25, 1989 wheat six times between April 1, 1981 and March 25, 1988, levy sugar eight times from November 15, 1981 to January 1, 1989, refined rapeseed oil five times from February 17, 1982 to September 1, 1988 and kerosene four times from July 11, 1981 to February 5, 1986 "It appears therefore that the centre is not at all interested in helping the PDS in West Bengal, but determined to destroy it", said an official

This correspondent visited several villages in the South 24-Parganas, Howrah, Hooghly and Midnapore districts and tried to read the mood of the people, mainly those belonging to the poorer sections of the rural community, small peasants, sharecroppers, day-labourers and class IV employees of various government offices whose meagre earnings have forced them to depend solely on the PDS Almost everywhere, the ration shops have brought down the scale to half of the actual individual quota But there is no other alternative Buying in the open market seems to be a luxury for an office peon or a marginal farmer Heramba Das a day labourer at Suryapur Hat near Baruipur in the South 24 Parganas said that there was plenty of rice in the stalls but even the cheapest variety seems to be beyond his reach as it sells at Rs 5 a kg Heramba earns only Rs 15 per day and requires at least 3 kgs of rice to feed six people including his wife His has other requirements also like cooking oil salt sugar and fuel

Indeed the price of rice is shooting up unchecked throughout the state From fertile and surplus districts like Burdwan Birbhum and West Dinajpur to drought prone and scarcity zones like Bankura Purulia or Howrah the picture is almost equally depressing Everywhere the farm hands prefer payment in kind because of the poor performance of the PDS and the steadily increasing price of rice and wheat in the open market At Polba in Hooghly this correspondent came across scores of day labourers who would not accept their wage in cash Currency notes have no value at least for the time being Give us rice and wheat We want to survive said Bhagat an Kurmi a Santhal youth who works as a farm hand to a local small peasant According to Bhagat his employer understands his problem but because of his own financial limitations cannot meet his demands regularly Indeed rice has become a costly commodity in rural West Bengal creating more pressure on the village economy than it did in the recent past and thereby causing much social tension and embittering relations among the peasants At Memari, a middle peasant grumbled over his farm-hands' insistence for payment in kind instead of cash "I am a poor man How can I give them rice everyday Sub standard rice is not available in open market I must maintain a quality while paying my employees in kind and this eats up my profit as well as my personal stocks"

Everywhere the panchayat office bearers and the local leadership of the Left Front are campaigning for payment in kind Almost everywhere the cultivators are grudgingly accepting the 'verdict', but at places where the employers are too hardpressed or have a good rapport with the panchayat members or local party workers, payments are made partly in

kind The situation is easily understandable. The failure of the PDS has hiked up the price of rice In Calcutta, Howrah city and other statutory rationing areas rice is being sold at unreasonable prices Even the cheapest or the worst variety sells at Rs 5 50 a kg Small traders at Garia, one of the major wholesale and retail markets in the South 24 Parganas, said that big businessmen have hoarded huge quantities of rice with a view to pushing up the prices further and making bigger profits They claimed that although the district administration and the police are aware of the mischief no definite action has yet been taken to punish the offenders

In the statutory rationing areas in greater Calcutta and Howrah consumers are apprehensive that the situation will take a turn for the worse during the coming Durga Puja festival During the festival last autumn (1988) there was practically no rice in almost the entire south Calcutta for more than a week The state government held several rounds of talk with the FCI officials and sent urgent messages to the centre but things did not improve Scarcity of rice marred the festival

Given the crisis the state food minister Nirmal Bose has decided to buy rice from Haryana and Andhra Pradesh The quantum to be bought has not yet been fixed This however failed to impress Sukha Ram much who feels that the Left Front government has contributed least to the national food stock and yet demands the largest share out of it And during his recent visit to Calcutta he virtually plunged into a war of words with his counterpart in the state government and blamed the latter for politicising the issue Sukha Ram insisted that in view of the continuing droughts and floods in different parts of the country West Bengal would have to accept relaxed specifications of rice for its PDS He claimed that it was not the cut in the quantum of supply by the centre but the state government's sheer mismanagement that has actually deepened the crisis

Whatever be the assessment of the union food minister the question that confronts the man on the street is whether the state government can tackle the situation on its own It is a fact that the state has to feed more than eight per cent of the national population while having just 2 7 per cent of the country's total geographical area Yet, as the state government itself claims 'against the target of 105 lakh tonnes in 1988-89 the production of foodgrains is expected to cross the target This has been made possible by the sincerest and relentless endeavour of Left Front government" [*12 Years of Left Front Government in West Bengal* a state government publication June 1989 page 60]

The handbook goes on to say "During kharif 1988 season it has been possible to increase the production of kharif rice to an unprecedented level of 86 08 lakh tonnes by taking advantage of favourable weather conditions" (page 60) At another place the handbook says increase in the productivity of Aus rice is another all time record in 1988 89 As compared to that of the previous year the productivity has increased by 40 per cent and total production has gone up to 10 7 lakh tonnes This represents an increase of more than 64 per cent over 1987 88 (page 61)

If the situation is so bright why does the state government depend so much on supply from the central pool for the sustenance of its PDS? Why does not it feed the system on its own? And why is it a perennially deficit state? There is another more vital question cannot the state government impose levy more vigorously on the producer and establish its PDS on an even keel Under the old system of percentage levy it was necessary to hand over 50 per cent of produce At present under the contractual levy only 25 per cent of the yield has to be surrendered Frankly speaking most of the producers are violating the contract and evading payment of levy They are selling rice and minting money This year's levy target is only 1 40 000 tonnes against an estimated production of over 10 million tonnes and the collection made so far is only about 94 000 tonnes In 1966 when the total yield was far less the state witnessed a record procurement of 600 000 tonnes Whether the Left Front government would pursue the policies of Prafulla Chandra Sen the then Congress chief minister is however a different question But the truth is that the system of levy if properly implemented can be quite helpful in creating a buffer stock to sustain the state's rationing arrangements

Nowhere in the state is the contractual levy collected with sincere effort For instance in Burdwan against a procurement target of 66 000 tonnes only 47 400 tonnes have been collected so far and in Birbhum only 13 500 tonnes have been collected against a target of 19 600 tonnes a target which is much below actual production Since most of the rice produced in the district is smuggled to Nepal via Bihar and Bangladesh via Murshidabad neither the state government nor the district authorities should have taken such a lenient attitude towards the producers and traders eating up the profits

The existing levy system yields practically nothing in the districts of Malda and west Dinajpur, two other fertile zones No levy has been collected from Malda for about 12 years as the rice mills there are reportedly not functioning while in west Dinajpur, rice millers have stopped paying levy since April 26 this year, following a court order But where does their produce go? Does it sell in the local market at reasonable rates? If so, why do the poor people, mostly marginal farmers, day labourers and village artisans go without even one square meal a day and why do they migrate to the nearby towns in search of jobs and finally how do truckloads of rice cross over to Bangladesh under the very nose of the Border Security Force and the local police.

The state government, it seems, does not want to be too strict about the collection of levy As far as the CPI(M) is concerned its village based leadership argues that a direct levy has become obsolete because there is hardly any big farmer left in the countryside This is apparently true, but the real picture is something different Individually, there may be only a few big farmers but land has been evenly distributed among dependable relatives and friends to evade payment of levy taxes and various other obligations

That the centre's attitude towards the non Congress(I) states is far from friendly, is an open secret and that West Bengal is a deficit state in almost all essential commodities including foodgrains is also a fact admitted openly by the present state government Yet since the ruling Left is committed to strengthen the PDS for the benefit of the common people and also to curb price rise to a certain extent' it has to take measures to plug the loopholes There has been a phenomenal increase in the number of both rice and husking mills throughout the state The mushrooming of the husking mills has been spectacular State food officials say that there are about 92 000 licensed husking mills in the state and about as many unlicensed ones Withdrawal of percentage levy and lack of cordoning and strict vigilance by the government has encouraged the owners of these mills to do as they chose According to the headmaster of a school at Bongaon in the North 24 Parganas district husking mills have become a haven for the rural unemployed just as construction of unauthorised buildings tends to be for their urban counterparts in Calcutta Unauthorised purchase and sale of paddy and rice, by the millers particularly the husking mill owners and their clandestine business of smuggling of rice to Nepal and Bangladesh, has created a shortage amidst plenty and thus kept the common man both in urban and rural areas hungry Those who argue that a direct levy or strict control over the existing levy will raise the price of rice, ignore the truth that, levy or no levy, prices are steadily increasing and that had there been any definite

policy, the state would have a much bigger stock at its disposal

Every day, tons of rice and paddy loaded in trucks and bullock carts sneak into Bangladesh from the border districts of the North 24-Parganas Murshidabad Nadia Malda, West Dinajpur Jalpaiguri and Cooch Behar It is useless to blame the Border Security Force, Bengal Police and other agencies guarding the international border when the state government itself has not had any definite policy about procurement or stoppage of smuggling The smuggling of essential commodities from West Bengal to Bangladesh has another harmful effect Both the centre and the state government should note that the continuation of smuggling will benefit the military rulers of Bangladesh who have not yet been able to give the country a sound economy

The present rice controversy and the crisis of the PDS has also exposed the differences within the Left Front The CPI and the RSP, two major constituents have openly criticised the government's procurement policies and were later condemned for their action by the Front chairman, Saroj Mukherjee, who also happens to be a key man in the CPI-(M)'s state committee. Significantly, the Forward Bloc, another major partner and an equally vocal critic of the CPI-(M), did not join in the anti- CPI(M) campaign this time, the reason being obvious They have their own man holding the food portfolio Anyway the irony is that each of these parties has thousands of unauthorised millers and clandestine business rackets under its patronage, and is obliged to serve its respective vested interests when required

MADHYA PRADESH

Group Warfare

Urmila Singh's removal has sparked off another round of confrontation between the Arjun Singh and Motilal Vora factions just when the high command was keen on putting an end to the infighting in the state unit of the party

URMILA SINGH the demure chairperson of the Madhya Pradesh Social Welfare Advisory Board had gone to Bhopal's Raj Bhavan to invite the governor to inaugurate a seminar of women sarpanches Even as the meeting was taking place high drama was being enacted at the office of the Social Welfare Board two km away A plump middle aged lady reached the office armed with an order issued by the state government a day earlier and told a surprised secretary of the board that she had come to assume charge of chairmanship

The lady Pratibha Chauhan a Congress(I) activist of Durg chief minister Motilal Vora's town did not even extend the courtesy of awaiting the incumbent and accepting charge from her Neither did she wait for the official copy of the order to be delivered through the proper channel to the board She was in a hurry to occupy the post as were the other Vora supporters who accompanied her For them it was a coup

Urmila Singh a Congress(I) MLA learnt of her ignominious ouster only when board officials swooped on her house that afternoon to whisk away her car and other facilities She says 'I was taken by surpirse Her supporters are both surprised and angry It has triggered off yet another round of confrontation between the Arjun Singh and the Vora groups in the ruling party For Urmila Singh, appointed chairperson during the previous regime, is considered a supporter of Arjun Singh while her succesor belongs to the Vora camp There is consternation in the dissident camp that her removal may be the beginning of the process of replacement of many more chairpersons of various autonomous corporations and boards appointed by the previous regime

That indeed was Vora's design It is understood from reliable sources that he has already prepared a list of chairpersons who have to be axed Most of them predictably belong to the dissident lobby But in view of the rumpus created by the dissidents--they have threatened to take up the issue with the prime minister --he has now decided to go slow He told a supporter that one change had caused enough commotion for the time being Obviously Urmila Singh's removal was a test case

But it was the worst possible choice for a test case Urmila Singh was the first tribal chairperson of the board in its 36 year long existence Says a former minister 'It betrays Vora's contempt for harijans and tribals" Besides the board had done excellent work during her ten month old tenure Said an inspection note by the women and child development department of the central government in February this year "The MP State Board is the best functioning unit of all It is the only one to have achieved a success in the economic development programmes for women'

Although the Madhya Pradesh government denies any political motivation behind the change, the manner in which she was shunted out leaves little doubt that she was penalised for her loyalty to Arjun Singh while Chauhan was rewarded for belonging to Vora's camp

Urmila Singh's appointment for a three year term in September last year was already approved by the Central Social Welfare Board The state government had also forwarded a list of 21 persons for New Delhi's approval on December 8 last meanwhile the government changed But the Central Social Welfare Board approved the old list on April 20 this year and sent it back to the state government for notification

Instead of issuing a gazette notification Vora sent another list to the Central Social Welfare Board and finally manipulated to get it approved last month So secret was the operation that even the department's minister considered close to the dissident camp was kept in dark The chief minister directly passed the order The minister Ganga Pottai learnt of the change only after the official announcement

To make the matters worse the new board is not a very representative one Normally there is supposed to be a continuity in such panels because social workers are not born overnight But in Vora's list of 26 nominees only two are old members The Malwa region has no representation and eminent social workers like Shalini Moghe have been ignored for the first time Indore which gets 50 per cent of the grant distributed by the board in the state does not have a single member

The dissident MLAs who met in Arjun Singh's presence recently in Bhopal complained that Urmila Singh's removal smacked of groupism and political vendetta The tribal MLAs are planning to call on Rajiv Gandhi to lodge a formal complaint

Surprisingly Vora's offensive has come at a time when there are clear signals that the high command now wants to put a stop to infighting in the party in the election year The replacement of MP Congress(I) Committee chief Chandulal Chandrakar by Shivbhanu Singh Solanki is a clear indication of the new direction

The dissident camp was pressuring the high command for Chandrakar's removal for quite some time So he had to go But his successor is not the dissident's nominee Neither does he belong to the Vora camp Solanki is considered non partisan in the state's group politics Apparently, in the new phase, the high command would like the two warring factions to train their guns elsewhere But that is unlikely to happen

Restructuring Socialist Ownership

Ramnath Narayanswamy

The two phases of the Gorbachev reform show that a process of reform can never be a smooth programme moving along a pre-determined trajectory On the contrary the process is often contradictory and inconsistent leading either to amendments of the original reform blueprint or to a redefinition of reform objectives themselves

'THE expression social ownership wrote Alexander Zinoviev the Soviet emigre philosopher is a logical nonsense Even in cases where the collective appears to be the proprietor this is simply a special case of private property and it is best simply to say 'property' because the expression private property is like the expression bread and butter with butter In the USSR, the land was given to the collective farms for their eternal use But the collective farms did not become collective proprietors as a result of this for they could not sell their land they could not even manage it at their own discretion [1] Written by an outspoken anti Stalinist who came under increasing harassment as a result of which he was finally expelled from the Soviet Union in 1978 these lines could have well been penned by anyone of the numerous protagonists in favour of radical reform who have sprouted in the wake of the Gorbachev offensive The current phrase state property is treated as nobody's property—is simply another way of officially affirming that the much vaunted institution of socialist ownership has effectively become a positive impediment– in the Soviet and east European context –to substantive economic reform [2]

State ownership it may be recalled, has for long been considered to be the central pillar of the traditional economy of the Soviet type—in conjunction with centralised planning and one-party dominance, these three features were canonised in the tortuous evolution of that body of doctrine which until recently went under the name of the 'political economy of socialism' [3] The fact that this entire body of doctrine is today being repudiated in not only the USSR but other parts of eastern Europe (e g, Poland and Hungary) as well is an instructive commentary on the extent to which the pattern of official discourse has undergone a change in the socialist economies of eastern Europe. This change is perhaps nowhere more evident than in current discussions on the nature and future evolution of state ownership

Two Phases of Gorbachev Reform

It might perhaps be useful to consider the Soviet debate on resource ownership by first locating it within the context of current reform initiatives in the USSR, especially because the Gorbachev reform must not be viewed as a comprehensive package of measures aimed at simultaneously transforming several aspects of Soviet society here and now but must rather be seen as an incremental reform process that will inevitably involve several years—even decades—to bring to fruition Indeed, the very manner in which the reform in the various sectors of the economy and society has been evolving under Gorbachev certainly does much to reinforce this impression

The entire reform programme was itself not radical to begin with, that is to say Gorbachev did not begin his tenure as a radical reformer This is especially true of his first year in office (early 1985 to early 1986) when most of his proposals and actions despite their encouraging tone, did no more than skirt the surface of the traditional model of state ownership and centralised planning While calling for decentralisation of economic management, greater enterprise autonomy and more reliance on incentives Gorbachev carefully avoided the use of the term reform preferring to describe his measures as being directed towards 'perfecting' or 'improving' the economic system rather than substantively overhauling it

During this period, attempts were made to reinvigorate the economic leadership by replacing ageing ministers initiating a variety of campaigns against social vices emphasising decentralisation and reducing the powers of the central bureaucracy Gorbachev set faster economic growth rates as a priority goal He called for a big increase in investment in machine building to accelerate the pace of modernisation in industry The Gosagroprom (the state agro-industrial committee) which replaced a number of agricultural ministries and state committees was created in 1985 In fact, in a speech delivered in Kiev on June 27, 1985 Gorbachev even appeared to assume a strong anti-market posture by declaring that 'our approach is to use the advantages of planned development" and "it is not the market, not spontaneous forces of competition but, primarily the plan which should determine the main aspects of economic development" [4]

It was only in early 1986—almost a year after assuming office—that Gorbachev chose to reveal his radical credentials at the Twenty-Seventh Party Congress by [illegible] cally referring to not only 'reform' but emphasising 'radical reform' for the first time. By explicitly admitting that partial measures could not bring about desired results, Gorbachev firmly identified himself as a reformer and proposed a variety of measures which included a new procurement system in agriculture which would allow farms to sell not only a significant portion (30 per cent) of their basic output of fruits and vegetables but also all above-plan output on the market at whatever prices they could get, reducing planning controls over consumer goods enterprises by allowing them to formulate their own plans based on contracts with trade outlets with a view to make these plants dependent on consumer demand rather than central planning, and switching over to wholesale trade through which plants could buy and sell goods among themselves through contract rather than through central allocation by Gossnab, the state committee for material technical supply Most of these proposals were subsequently translated into decrees in the months following the congress and despite the fact that Gorbachev's position on the expansion of the private sector market forces and the acceptance of supply and demand as the guiding lever of the economy continued to remain ambiguous the idea that only radical reform could steer the country out of its difficulties had from all accounts come to stay

While the notion of radical reform as a possible solution to the country's economic difficulties began to gain ground, Gorbachev's own definition of radical reform still remained unclear In other words, what remained unclear was whether Gorbachev's endorsement of radical reform actually implied radical solutions It was in early 1987 when Gorbachev shifted his emphasis from economic to political reform that provided striking evidence of the new general secretary's commitment to a course of reform which went deep enough to hurt and threaten a wide variety of party and government officials Gorbachev's declaration at the January plenum that perestroika is possible only through democracy and that 'this is why further democratisation of Soviet society is becoming the party's urgent tasks" heralded a refreshing departure from traditional solutions which perhaps explains why it was received with considerable surprise by observers focusing their attention on recent Soviet history

Ownership and Economic Reform Soviet Debate

It is useful to distinguish between these two phases of the Gorbachev reform if only because they help to show that a process of reform can never be a smooth uninterrupted programme of socio-economic change moving along some kind of pre-determined trajectory On the contrary, the process is often clumsy, contradictory and inconsistent, as a result of which either the original blueprint itself may have to be subjected to further

amendments and modifications or it might in some cases even lead to redefinition of the reform objectives themselves, especially when problems that were not necessarily anticipated by the reformers arise in the process of implementation In yet other cases this could equally result in abandoning the entire attempt altogether which is essentially what happened to earlier reform attempts in most of the socialist economies of eastern Europe in the late sixties and early seventies The Gorbachev attempt is no exception to this rule in the past three years there has been a remarkable shift in the nature of Soviet and east European discourse of which perhaps the present debate on restructuring state ownership could prove to be most significant

While the Soviet debate on ownership and economic reform has not succeeded in breaking new ground in the socialist world its significance lies in the fact that such liberal thinking stands in sharp contrast to the official silence which similar discussions in Hungary and China were met with earlier Decentralising the state sector with a view to making it more competitive and efficient has not only been a recurrent objective of east European reform initiatives in the past but it has also proved to be an objective which has invariably proved to be inherently difficult to realise In the Hungarian and Chinese cases this led reformers to contemplate changes in the system of ownership the essential idea behind which was the conviction that genuine reform required fundamental changes in resource ownership as well

The problem is a crucial one and may be schematically defined as follows under conditions of state ownership, how can producers be motivated to behave competitively and be induced to economise on resources explore new markets and develop new products as dynamically as they would under capitalism? Even in Hungary and China two countries which have gone further than the Soviet Union in reforming their economies, reform successes have been generally restricted to or have stemmed from an expansion of legitimate private and co operative activity On the other hand efforts to streamline the state sector have in greater or lesser measure failed to achieve their objectives Despite the fact that state enterprises in Hungary do not receive output targets or supply allocations they nevertheless pay more attention to the central authorities than to their customers or suppliers This is because they do not face a threat to their survival if they fail to control costs and produce competitive products

The Hungarian experience therefore suggests that as long as state bodies retain ownership in business ventures and have a stake in their survival it is almost impossible to prevent them from interfering in their management This is a problem which Hungarian planners appear to be aware of since the notion of separating the state as owner and the state as regulator by creating state holding companies undoubtedly stems from a desire to reduce managerial dependence on central or ministerial authorities But there is more even if state or co operative enterprises are allowed to retain substantial funds to invest in expansion activities this still does not help the flow of investment funds between different activities because state enterprises in Hungary still cannot embark upon a line of production by creating a new company (not without considerable difficulty at any rate) or invest in other firms that offer a higher rate of return instead of ploughing profits back to the enterprise This explains why reformers in Hungary and China not only argue in favour of a further reduction in state regulation but also advocate the need for the creation of some kind of capital market allowing the issue of bonds and equity shares which would however be confined to workers belonging to firms issuing them

While the Soviet debate on these questions has not progressed to the extent that it has in countries as Poland Hungary and China Soviet economists are coming to increasingly acknowledge the need to accord an important role to individual and co operative forms of enterprise in the articulation of an effective economic system[7] It is perhaps not surprising that the Institute of the Economics of the World Socialist System of the USSR Academy of Sciences (IEMSS) headed by academician Oleg Bogomolov should be primarily responsible for bringing questions of personal motivation and ownership and control of assets within the ambit of public debate. Founded for the study of the experiences of the socialist countries, the IEMSS has had an impressive range of reform minded specialists as Evgeny Ambartsumov Antoly Butenko Gennady Lisichkin and Gely Shmelev

In an article published in *Kommunist* the party's theoretical journal, Bogomolov himself argued in favour of developing new forms of capital ownership alongside state ownership These included individual family and small group ownership as well as mixed forms of ownership as state cooperative state-industrial and state capitalist According to Bogomolov introducing these innovations would strengthen the links between those who control the use of assets and the incomes of those who do the controlling[8] Despite the fact that resistance to such revisionist ideas is clearly very great, the significance of the Soviet debate lies in the fact that Soviet economists, planners and ideologues have not only made a start, but also that recent legislation on ownership (as the draft law on co operatives) bears the imprint of radical ideas which would clearly have been impossible in the absence of such ideas having been absorbed by policy makers in the higher echelons

It must however be said—by way of conclusion—that most reform minded economists and ideologues have yet to convincingly confront the question whether in view of these developments the Soviet economy can still be considered 'socialist' To some observers, the reformers are paving the way for a mixed economy, while to still others the reforms are imperceptibly leading the socialist countries back to capitalism Whatever be the outcome, it is useful to remember the gap separating development goals such as those that are officially proclaimed and the actual course of economic development the future evolution of the Soviet economy may or may not correspond to the expectations of those intent on transforming it In a similar vein, the eventual outcome moreover may or may not be better than the system that preceded it Some elements of the projected system might prove to be the most rational and desirable, on the other hand some may not These are indeed open questions What is refreshing amidst these uncertainties is the public discussion of potentially conflicting alternatives the return to the precedents set in the twenties and the fact that such questions have gradually come to be incorporated into the mainstream of Soviet economic discourse

Notes

1 Alexander Zinoviev *The Reality of Communism* Paladin Books Glasgow 1985 p 112

2 See Philip Hanson Ownership and Economic Reform RFE RL April 6 1988 p 1

3 For a historical review of the complex evolution of that doctrine see Bernard Chavance *Le Capital socialiste Histoire critique de l'économie politique du socialisme 1917 1934* Paris 1980

4 M S Gorbachev *Aktivno Dovershovat Na Tekuchat Etapa* Speeches in Dnepropetrovsk and Kiev June 26 and 27 1985 *Politizdat* 1988 in Werner G Hahn *Gorbachev and Economic Reform*

5 See for example Janos Kornai The Hungarian Economic Reform Process Visions Hopes and Reality *Journal of Economic Literature* Vol 24 December 1986 Tamas Bauer Economic Reforms within and beyond the State Sector Gyoer Conference Paper March 1988 W Brus The East European Economic Reforms Lessons from Experience Gyoer Conference Paper March 1988 Du Haiyan *A Review of China's State Owned Enterprises during the Past Decade 1979 1989* (unpublished)

6 Perestroika i uroki khozyaistvennykh reform *Voprosy Ekonomiki* No 2 1988 pp 55 80

7 Oleg Bogomolov *Mir sotsializma na puti perestroiki Kommunist* No 16 1987 pp 92 103

8 Philip Hanson op cit p 8

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Sexual Division of Labour

DN and GK

The division of labour between genders, far from being natural, is ordered by society, and once established acquires the force of law It is thus forced and not voluntary

THE division of labour between men and women seems to be the most 'natural aspect of human society, something that is virtually beyond question seemingly based on the actually natural (biological) division of labour in procreation This division of labour however, is so 'natural' only because it is such an old pre historical aspect of human society But other than the biological division of labour whereby women alone can bear children and nurse them there is no other actually natural division of labour in human society Going further it can even be said that since it is precisely labour (the conscious transformation of nature) that distinguishes human society from the rest of the animal kingdom there is nothing natural in *any* order or division of labour in human society

The natural reproductive role of child bearing and nursing was one time thought to be the factor that constrained the economic activities of women being translated for instance into restriction to such activities as gathering rather than hunting In one way or another it is the supposed social construction of the biological fact of a capacity to bear and nurse children that according to this analysis is the base of the division of labour See for example the analyses by Michelle Rosaldo (1974) and Nancy Chodorow (1974) There is a strikingly uniform division of labour in hunting gathering societies The women gather the men hunt (G P Murdock 1968 335) But even in this division of labour which itself is not so uniform neither the effort skill nor the distance covered in gathering are anything less than that regularly involved in hunting (Coontz and Henderson, 1986 21) Further hunting of small game by women is a regular feature of foraging tribes including the Birhor of Jharkhand (Jyoti Sen, 1966) The ritual 'jani shikar' (women's hunt) of the Oraon, Munda, Santal and Ho suggests an earlier period when women of these tribes may have regularly participated in hunting, a participation that subsequently became ritual as weapons came under male monopoly

Recent evidence on the Agta of the Philippines has challenged the 'incompatibility of female reproductive roles with hunting' (Mukhopadhyay and Higgins, 1988, 476) In the study as summarised in this review it is pointed out,

> There most women in every age group including pregnant menstruating and lactating women, hunt regularly Men and women take hunting trips of similar distance and duration kill the same range of animals including large animals and work in mixed sex as well as same sex teams Although pregnant women and women with children under six months reduce their hunting somewhat the peak years of female hunting activity coincide with their prime childbearing years Women themselves say hunting is no more incompatible with childcare than other subsistence activities nor they say is carrying babies on hunting trips a handicap

Even the exclusion of women from the individualistic hunting of large mammals seems to be closely related to the making and using of hunting weapons and associated with economic and/or religious ideas (Watanabe, 1968 74) Further for the Agta

> Among women who do not hunt lack of hunting dogs rather than incompatibility with childcare is the most frequently cited explanation (Mukhopadhyay and Higgins 1988 476) Whether it is hunting weapons or hunting dogs it is the economic factor of lack of access to such resources that affects participation in hunting rather than any natural limitation As pointed out "There is now no evidence of any absolute constraints that prevent women—regardless or their reproductive state—from performing any activity performed by men If none can be observed then constraints' should be recognised as preferences (Mukhopadhyay and Higgins 1988 476)

The division of labour between the sexes even in the early stage of foraging, is then anything but natural nor even any extension of the natural Irrespective of whether the division of labour was initially consciously decided upon or was stumbled upon accidentally once established as a social norm the division of labour acquires the force of a law The division of labour is then not voluntary but is forced In the manner that it is not voluntary, the division of labour acquires the status of a 'natural' force.

What is the meaning of the division of labour in terms of the relations between those performing the (two) different spheres of activity? Since these are two parts of what is a whole, social labour, the two genders must, along with the division of labour, simultaneously establish a relation with each other, i e, a relation of production and its concomitant, one of consumption As Marx and Engels pointed out in *The German Ideology* " the *division of labour* implies the possibility, nay the fact, that intellectual and material activity, that enjoyment and labour, production and consumption, devolve on different individuals, " (1976, 45)

The social division of labour, or, to put it in other words, the formation of the two genders of men and women, is then not a neutral matter It is a social and not a merely technical division of labour Further, the division of labour between the sexes is not merely a family matter Established within the family it exists in the extra-familial, social sphere too The exclusion of women from the political or social sphere, as, for instance, observed among the Jharkhand tribes is a feature of the social division of labour into the 'public' and 'private' domains (Rosaldo and Ortner, 1974)

What is this social order, this relation of production? It is but another term for property Involved in this relation of production are both the control and disposition of labour power and also the distribution of the products of labour It is for this reason that the division of labour in the family is referred to (in *The German Ideology*) as the first form of property

> This latent slavery in the family though still very crude is the first form of property but even at this stage it corresponds perfectly to the definition of modern economists who call it the power of disposing of the labour power of others Division of labour and private property are, after all identical expressions in the one the same thing is affirmed with reference to activity as is affirmed in the other with reference to the product of the activity (1976 46)

A division of labour, including the primordial division of labour that created the two genders of men and women, is, then, a form of property In fact, it is the form of property Or to put it another way the family as the social institution within which the division of labour between the genders is expressed is itself a form of property This point expressed so forcefully in *The German Ideology* has been reiterated by some feminists Christine Delphy, for instance, points out, 'They [women] are neither selling what they produce for money nor their labour for a wage Their labour power is being given in return for maintenance" (1984, 38) And again, Consequently, as soon as a lot is attributed to women, blacks or proletarians (the lot' consisting not of tasks but of jobs and thus relations of production) *the hierarchy (the valuation* in Leclerc's terms) is set up It is not established after, nor independently, but in and by the very process of attributing 'lots', by the social, not technical division of labour" (207)

That a division of labour is not something neutral but inevitably connected with particular relations of production, can be seen in the role of certain taboos or prohibitions For instance, in all the agriculturist (cum-forager) tribes of Jharkhand there are universal taboos against women ploughing, or even touching the plough, and against women roofing the hut The very strong taboos against such activities are themselves understandable only if such activities had

in fact been carried out by women in an earlier period Prohibitions, enforced with dire sanctions were necessary to enforce a new division of labour Since some manner of force (perhaps only a ritual force) had to be employed to establish the new division of labour this could only have been possible if those enforcing the new division of labour already had force at their command i e already had a hierarchically higher position Thus hierarchy did not follow Rather the hierarchy was the pre condition for or at least the necessary concomitant of the new division of labour Of course, once established, the new division of labour has additional consequences in strengthening the hierarchy But it must be emphasised the hierarchy is not established by or not the result of the division of labour Rather the hierarchy and the division of labour go together They are two parts of a whole of a relation of production or in an equivalent expression of a form of property

If hierarchy and the division of labour are not simultaneous then if anything it is hierarchy that precedes the division of labour Both together are the consequence of a form of property but it may be that prior seizure of political power was necessary in order to establish fully a particular form of property This point was made in a slightly different fashion in a study of 'Band Societies where it was pointed out by Annette Hamilton (1982 92) it is in the realm of the religious that the first hints of truly economic differentiation are to be found This is no contradiction of the materialist position what it does mean is that changes in ritual status (i e power) may anticipate changes in production relations

The strong prohibition against women ploughing must be seen in the context of the known importance of women in hoe agriculture, where the main instrument (the digging stick that became the hoe) was generally employed by women Further in the agriculture prevailing in Jharkhand women play the major role in all agricultural operations other than ploughing Overall their contribution to even field labour itself is more than that of men The social prohibition on women ploughing is (crucial) to establishing (justifying) men s right to the land The prohibition is a way of establishing a division of labour which implies both a (political) hierarchy and a form of property

The prohibition of roofing again is a way of emphasising men's superiority in the home and women s dependence on them for a home. Is there any such or similar prohibition among the forager (hunter gatherer) Birhors and hill Korwas? Both make houses of leaves and sticks arranged into a conical tent structure. Birhor men and women together participate in all activities including hunting (which at least now is restricted to small game) There are no reports of any prohibitions like that on women doing the roofing and with their minimal division of labour and in the absence of any property relation to land it is highly unlikely that there would in fact be strong prohibitions of this kind

As against the above analysis of the division of labour following from the approach in *The German Ideology*, Engels in *The Origin of the Family Private Property and the State* holds that in the phase of society preceding the establishment of private property They [men and women] are each master in their own sphere the man in the forest the woman in the house" (1972 218) The world historic defeat of the female sex' is identified with the change from the earlier position in that The man took command in the home also (120)

The same point is repeated by Eleanor Leacock who, studying foraging band societies finds a clear-cut division of labour operating but holds that women and men were separate but equal' (1981 136) According to her women were autonomous in egalitarian society—that is they held decision making power over their own lives and activities to the same extent that men did over theirs (134) Maria Mies goes further in holding that Such a division [of labour between men and women] is a necessary consequence of all human interaction with nature (1988 69) So the question is not When did a division of labour arise between men and women? but rather How did this division of labour become a relationship of dominance and exploitation and why did this relationship become asymmetric and hierarchical?' (69) Leacock finds inequality or hierarchy arising from the shift in the nature of production the shift from production for use to production for exchange introduced by colonialism For Mies the asymmetric division of labour arises from the qualitatively different bodies with which men and women act upon nature as a result of which women and men appropriate nature differently (1988 73) (A new twist to Freud's Anatomy is destiny ?)

Even however in a situation where each is master (!) of an own sphere, there will still be domination of one gender over the other and control of labour power One of the spheres the so-called public sphere of men of war (politics) and the forest dominates the other sphere the so-called domestic sphere of women Such a division of labour therefore does not preclude a relation of dominance. On the contrary as it is pointed out in *The German Ideology* with a division of labour there will inevitably be an *unequal* distribution of labour and its products' (46) Such a relation of production necessarily accompanies even this 'primitive division of labour' between the sexes

At the same time, the existence of some degree of autonomy within the dominated sphere, does give a certain measure of dignity to the woman This dignity is completely lost when the man takes 'command in the home also This taking 'command in the home also is the final point in the 'world historic defeat of the female sex', the defeat which fully enslaved women and established patriarchy, but it is not its starting point The starting point of this world historic defeat of the female sex is the establishment of the division of labour that created the two genders, men and women

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Real Wages and Productivity in Industry

A Disaggregated Analysis

Bagaram Tulpule
R C Datta

This paper examines the behaviour of real wages productivity and the share of wages in the value of output and value added in industries such as the sugar, cotton textile, paper and paper products petroleum refining, cement leather iron and steel and coal mining over the period 1967 84

IN an earlier paper [*EPW* October 29 1988] we tried to examine the behaviour of real wages productivity and the share of wages in the value of output and value added by manufacture (VAM) in the factory sector of Indian industry over the period 1961 to 1983 We also compared the real wage series with the series of per capita national income at constant prices over the same period In the present paper we try to make a similar examination of real wages and productivity for some major industries and explore some other aspects The industries we have taken for study are (i) sugar (ii) cotton textile (iii) paper and paper products (iv) petroleum refining (v) cement (vi) leather (vii) iron and steel and (viii) coal mining The data are taken from several sources such as the various issues of *Annual Survey of Industries* (ASI) *Monthly Abstract of Statistics* (MAS) *Hand Book of Labour Statistics* and so on The period covered is 1967 to 1984 except for coal mining for which data for a much longer time series 1960 to 1985 was readily available

No particular merit is claimed for this selection of industries from the factory sector The general idea was to include the larger and more important industries and also some small ones and that the output of each of the selected industries should be more or less homogeneous These seven industries account for a sizeable proportion of the total factory sector 26 per cent of the invested capital 20 per cent of the employment 23 7 per cent of the total emoluments of the employees 26 per cent of the value of output and 20 per cent of the VAM all in 1984 Clearly but unintentionally the group is somewhat biased towards higher emoluments since it accounts for 20 per cent of the total employment but 23 7 per cent of the total emoluments of the employees

There is perhaps another unintentional bias in this group of industries With exception of leather these industries are subject to considerable administrative and policy interventions of government including in matters of pricing, distribution wage bargaining, management, etc Such government intervention may have affected the different variables studied here although it is difficult to say how far and in what way without further research

The data collected are given in Table 1 For coal mining all the data are set out in Table 2 From these data real wages and their indices are calculated and shown in Table 3 Table 4 gives the ratios of wages to value of output and VAM at current prices Table 5 shows the 3 year averages of the various parameters at the start and end of the series and the rise or fall therein Since sugar is a seasonal industry the total output and wages earned by workers depend upon the length of the crushing season as well as upon the wage rate The crushing season varies in length considerably from year to year Hence for calculating the money wages total wages earned are divided by the worker days worked and not by the number of workers The daily wages thus derived are then converted to real wages and index of real wage derived therefrom

Admittedly there are several gaps in the data we could collect Besides at some places the figures given in the ASI do not appear to correct In spite of these gaps and possible inaccuracies in the figures we have tried to interpret the data and derive some conclusions from them

Real Wages

It will be seen from Tables 2 and 3 that in all the industries studied the overall trend is of rising money and real wages While in coal mining real wages have risen almost continuously between 1960 and 1985 those for most of the other industries studied show considerable ups and downs during the much shorter period of 1967 84 Moreover there is also a broad pattern in these ups and downs After real wages rose moderately from 1967 to 1973, there was a small set back for a couple of years or so before the rise resumed to reach a peak around the year 1979 Again from 1980 onwards, there was a distinct fall in real wages for about 3 or 4 years before they recovered in 1984 to the level, more or less, of 1979

The real wage series for petroleum refining shows an inexplicably sharp drop during the period 1980 to 83 This may perhaps be the result of some errors in the ASI figures

Excluding sugar which is a seasonal industry and annual earnings in which are not comparable to those in other industries leather and tanneries shows the lowest real wages in the group of industries studied while petroleum refining shows the highest Cement and iron and steel also show relatively high figures of real wages

The average annual real wage for all industries in the factory sector in 1967 was Rs 1 215 In the present group the real wages in paper and paper products and leather and tanneries were below the all industries average in 1967 These two industries also stood below the all industries average in the year 1984

Table 3 also shows that the extent of increase in real wages in different industries is far from uniform Taking 3 year averages at the start and end of the series it is seen that the total rise in real wages for all industries is about 51 5 per cent over the period 1967 69 to 1982 84 Real wages in coal mining have risen by as much as 88 8 per cent during the same period Iron and steel also shows a large rise of 71 3 per cent The rise in sugar and cement is just about equal to the all industries average while in cotton textile, paper and leather the increase is much lower than the all industries average Ignoring petroleum refining for which the correctness of the figures for the last several years is suspect the lowest increase in real wages is registered by leather and tanneries

This picture of real wages and relative increases in them suggests that the two factors (1) importance of an industry in the national economy and (2) bargaining power of workers in the industry, are the most important determinants of real wages and, more importantly, of the rate of increase of real wages In coal mining and iron and steel, both these factors have been conspicuously at work with the result that real wages in these two industries have registered most rapid increase Indeed, in coal mining, the increase must be viewed as remarkable, for while in 1960, real wages of coal miners were some 5 per cent lower than the factory sector average, in 1984, they stood over 45 per cent above that average. At the other end, leather does not stand high on either of the above mentioned counts and hence,

TABLE I

Year	Invested Capital (Rs Lakh)	Fixed Capital (Rs Lakh)	No of Workers (000)	No of Employees (000)	Total Wages (Rs Lakh)	Total Emoluments (Rs Lakh)	Value of Output (Rs Lakh)	Output Quantity	VAM (Rs Lakh)
All Industries									
1967	957800	644900	3883	4716	81100	121500	930800	-	211300
1968	1067800	734000	3952	4825	87900	135600	1037800	–	230500
1969	1165700	793900	4103	5031	96600	147800	1205500		277600
1970	1310400	875200	4231	5216	108000	167400	1376800		313900
1971	1424600	914300	4393	5436	121300	188500	1527300		343800
1973	1717200	1075900	4660	5520	156800	249900	1957000		463300
1974	2148700	1192200	4762	6053	182300	305200	261000		608200
1975	2321700	1402900	4696	6381	214900	346900	2986700		6387100
1976	2660400	1617100	5210	6649	207000	363700	3409100		731100
1977	2975000	2015400	5541	7094	253300	418300	3892000		811600
1978	3515400	2288600	5667	7348	303400	461200	4434400	-	955400
1979	4158800	2683000	5962	7655	351000	537200	5225800		1986400
1980	4688000	2990000	6046	15	394500	609700	6108400		1192900
1981	5399100	3470300	6105	79	439400	677800	7367200		1455500
1982	6299200	4100600	6315	8000	514800	804600	8623800	-	1667800
1983	7249400	48606	6159	834	592100	921800	9353700		2113700
1984	8050200	5484200	6091	[illegible]	6[illegible]00	1066000	10556600		2088700

Year	Invested Capital (Rs Lakh)	Fixed Capital (Rs Lakh)	Workers (000)	Employees (000)	Wages (Rs Lakh)	Emoluments (Rs Lakh)	Value of Output (Rs Lakh)	Output Quantity (000 Tonnes)	VAM (Rs Lakh)
Iron and Steel (330)									
1967	150251	11[illegible]21	46	313	669	11626	0463		13096
1968	154310	114815	251	08	94	12568	77033		15957
1969	157461	11[illegible]	48	4	5654	13012	57469		17751
1970	160391	116343	24	5 0	9732	16090	89399		21822
1973	133363	53946	1 6	331	10150	1 56	109070	5679	23854
1974	135556	76204	135	361	11591	190 9	140724	5567	36261
1975	253725	162913	155	52	15 92	24852	184020	6554	43698
1976	280342	180654	181	34	16021	25136	200032	7 08	45655
1977	256035	198094	193	368	1 145	28241	218958	8199	41577
1978	310322	218376	204	90	19357	29909	258700	8289	56900
1979	427941	259633	215	394	25061	37603	364400	8267	62400
1980	499816	328225	234	308	27121	40076	443048	7796	80413
1981	632601	417063	34	326	31119	46558	595800	8847	121800
1982	726836	453540	236	315	35865	53654	68431	9028	117778
1983	759101	559999	34	325	41417	61785	6643 2	8375	131751
1984	917665	665506	257	354	56395	87421	836999	8550	123826
Cement (324)									
1967	1393	9041	5	36	25	1258	13169		3493
1968	15063	10711	25	36	829	145	13 9		3262
1969	15890	112 4	25	36	5 0	1543	16796		3993
1970	19854	14693	29	35	867	1601	1 409		3866
1973	21906	14366	35	46	1417	2452	21361	1251	3296
1974	23390	15156	37	43	1694	2837	25181	1189	4114
1975	27620	1 563	35	46	2249	3561	35872	1354	7067
1976	28012	18913	3	46	2236	3649	40494	1861	7969
1977	28746	19911	36	46	2341	3822	43825	1598	10296
1978	32413	22651	34	44	2739	4218	45606	1636	9281
1979	28039	41106	32	51	3209	4953	52000	1520	10100
1980	54756	29835	43	54	3682	5634	589 4	1483	9722
1981	71054	53234	45	57	4177	6335	69600	2077	11200
1982	93886	69600	51	65	5663	8519	123068	2250	35865
1983	135539	103999	52	66	6841	10345	150676	2536	40952
1984	148808	108369	53	69	8165	12382	198416	2916	52322

Year	Invested Capital (Rs Lakh)	Fixed Capital (Rs Lakh)	Workerdays (Lakh)	Employees (000)	Total Wages (Rs Lakh)	Emoluments (Rs Lakh)	Value of Output (Rs Lakh)	Output Quantity (000 Tonnes)	VAM (Rs Lakh)
Sugar (206)									
1967	25590	12729	261 5		1688	2714	24965	2247	4536
1968	31504	14151	261 5		1869	3000	45560	3557	7541
1969	42753	15023	336 5		2435	3837	59420	4261	11401
1970	52019	16011	348		2728	4417	55789	3740	9232

(Contd)

TABLE 1 *(Contd)*

Year	Invested Capital (Rs Lakh)	Fixed Capital (Rs Lakh)	Worker Days (Lakh)	Employees (000)	Wages (Rs Lakh)	Emoluments (Rs Lakh)	Value of Output (Rs Lakh)	Output Quantity (000 Tonnes)	VAM (Rs Lakh)
Sugar *(contd)*									
1973	49073	19928	299		3183	5579	71347	3183	9390
1974	56572	23842	296	-	3522	6266	80139	3304	10302
1975	76880	27831	478		5086	8970	108512	3997	13462
1976	72625	31839	473		5125	8963	96433	3550	14890
1977	99973	40509	501		5307	9688	107516	4035	13755
1978	139656	47944			7232	11559	134600	5392	15500
1979	131710	52241	409		7811	12583	125300	4870	15800
1980	103754	56253	349		7783	13019	120648	3220	15732
1981	111493	59801	385		9557	16032	196700	4290	28900
1982	196094	60785	469		13803	22850	293329	7030	45980
1983	243192	71568	491		16105	25743	198461	6860	51410
1984	309261	88522	432	-	15801	29093	238427	4930	44507

Year	Invested Capital (Rs Lakh)	Fixed Capital (Rs Lakh)	Workers (000)	Employees (000)	Total Wages (Rs Lakh)	Emoulments (Rs Lakh)	Value of Output (Rs Lakh)	Output* Quantity (Mn Metres)	VAM (Rs Lakh)
Cotton Textiles									
1967	99446	50822	966	1059	24300	31500	169651	4097	44278
1968	107177	53541	1051	1165	26930	33833	182902	4366	45755
1969	110953	53764	1038	1152	27744	34372	195994	4168	50471
1970	112631	52770	1021	1131	29550	36709	207427	4157	54318
1973	106130	43074	720	804	30634	37829	205055	4169	68393
1975	127280	54355	749	839	42178	53179	253916	4032	62256
1976	135875	58603	729	818	40894	50375	294619	3881	67329
1977	155389	64576	744	834	43530	55564	350062	3223	81429
1978	169456	73310	783	876	52947	64082	394700	3251	106600
1979	183962	83217	776	873	58412	71659	409600	3206	121800
1980	205220	110108	733	823	62855	76618	438200	3476	122819
1981	219331	109202	675	756	61871	74823	437200	3147	109100
1982	255848	139624	707	799	69030	84820	481810	2258	103811
1983	297985	167928	739	828	83359	101511	549921	2704	131626
1984	320987	183655	671	757	84122	103348	569799	2573	118771

Year	Invested Capital (Rs Lakh)	Fixed Capital (Rs Lakh)	Workers	Employees	Wages (Rs Lakh)	Emoluments (Rs Lakh)	Value of Output (Rs Lakh)	Output Quantity (000 Tonnes)	VAM (Rs Lakh)
Petroleum Refining (304)									
196	1 080	14236	6223	5935	312	647	13872		3365
1968	17348	14577	6325	8940	362	83	21998		4203
1969	18483	15511	7041	10035	446	886	23462		4352
1970	2367	18562	6577	10705	507	1079	26730		4759
1973	1 539	12260	4750	7550	462	1014	34657	1594	4397
1974	28059	14372	5630	9510	694	1535	99994	1617	8447
1975	35533	18743	5265	8686	655	1732	123002	1697	8978
1976	33302	22334	6069	9667	857	1832	150489	1766	15335
1977	38823	22310	5967	9593	974	2084	192880	1900	19406
1978	50529	23767	6000	10000	1167	2200	200500	1996	11400
1979	0383	24323	6600	10000	1218	2242	265700	2197	13500
1980	138307	2 076	10316	17336	1220	2218	365915	1966	15966
1981	173801	59555	11700	20000	1289	2587	503600	2298	22200
1982	154890	81115	33900	38774	3986	5893	689947	2500	45285
1983	238701	109771	12145	17539	2410	4746	641144	2693	15274
1984	255979	134082	10650	16403	2764	5844	729063	2747	28929
Paper and Paper Products (280)									
1967	18740	13793	61	75	1217	1951	14465	—	3664
1968	19159	14082	55	70	1225	2070	16004	-	4071
1969	20697	14916	58	73	1508	2591	19052	—	5520
1970	23343	15903	61	77	1717	2978	22743	—	7229
1973	24914	16703	57	72	2096	3552	27394	687	8036
1974	34093	21697	59	75	2587	4611	45156	778	16889
1975	37373	24470	60	77	2710	4936	43097	721	14655
1976	39641	28299	62	79	2962	5120	42882	778	12467
1977	45911	33144	74	92	3700	6310	50312	813	14211
1978	47391	35034	70	89	4478	6915	54900	863	14900
1979	63510	43066	79	100	5323	8406	72700	881	18900

(Contd)

TABLE 1 (*Contd.*)

Year	Invested Capital (Rs Lakh)	Fixed Capital (Rs Lakh)	Workers (000)	Employees (000)	Wages (Rs Lakh)	Emoluments (Rs Lakh)	Value of Output (Rs Lakh)	Output Quantity	VAM (Rs Lakh)
Paper and Paper Products *(contd)*									
1980	85114	63634	82	105	6217	9546	85511	922	19940
1981	103354	77618	85	109	6990	10983	103500	1052	23710
1982	125600	95705	92	120	7388	11684	102751	1108	15619
1983	152269	121148	85	113	8148	12822	123037	1081	19278
1984	199300	159600	84	111	9113	11411	164893	1297	31375

Year	Invested Capital (Rs Lakh)	Fixed Capital (Rs Lakh)	Workers (000)	Employees (000)	Wages (Rs Lakh)	Emoluments (Rs Lakh)	Value of Output (Rs Lakh)	Output Quantity (000 Tonnes)	VAM (Rs Lakh)
Leather (290)									
1967	1886	390	16	19	283	377	6773	–	729
1968	2377	527	18	20	307	416	7579	–	840
1969	2563	714	16	19	316	436	7919	–	737
1970	1901	478	11	13	230	334	4552	–	625
1973	3521	871	1	21	468	635	13282	–	1129
1974	4782	1480	18	21	531	770	14680		1841
1975	5 18	1559	18	22	614	881	16827		1855
1976	8675	2 96	23	37	825	1185	27056	–	2633
1977	9 97	3186	22	2	781	1104	25134		2507
1978		4055	24	33	1056	1391	36100		3300
1979	16460	5434	26	32	1211	1645	36500		4500
1980	15550	5498	25	30	1227	1920	38910		3692
1981	17502	6160	2	33	1512	2044	42900		3900
1982	1 852	352	28	31	1606	2238	41631		4292
1983	20889	8425	26	33	1817	2507	44904		6939
1984	20984	985	30	36	2195	2966	57172		7024

Source (1) ASI different year
(2) Output Quantity from Monthly Abstract of Statistics different numbers

TABLE 2

Year	Average Weekly Earnings Per Worker (Rs)	Average Annual Earnings Per Worker (Rs)	CPI (Bihar) 1960 100	Real Wage Per Year at 1960 Prices (Rs)	Index of Real Wage 1960 100	No of Workers (000)	Total Coal Production (Lakh Tonnes)	Output Per Worker Per Year (Tonnes)	Index of Productivity
Coal Mining									
1960	23 56	1133	100	1133	100	411		—	
1961	23 56	1133	100	1133	100	433	561	136	100 0
1962	24 36	1169	103	1135	100 2	451	6321	146	107 4
1963	26 63	1278	109	1173	112 8	431	650	144	105 9
1964	26 71	1282	124	1034	91 3	425	627	145	106 6
1965	31 18	1497	142	1054	93 0	425	672	158	116 2
1966	34 56	1659	159	1043	92 1	425	680	160	117 6
1967	46 31	2223	188	1182	104 3	414	682	165	121 3
1968	49 7	2389	175	1365	120 5	395	708	179	131 6
1969	52 31	2511	171	1488	129 6	396	754	190	139 7
1970	54 19	2601	182	1429	126 2	392	737	188	138 2
1971	56 27	2701	186	1452	128 3	382	718	188	138 2
1972	60 17	2888	199	1451	128 1	410	757	185	136 0
1973	72 16	3464	239	1449	127 9	475	771	162	119 1
1974	86 60	4157	327	1271	112 2	505	841	167	122 8
1975	119 87	5754	310	1856	163 8	522	962	184	135 3
1976	117 80	5616	283	1985	175 2	510	1010	198	145 6
1977	126 44	6069	313	1939	171 3	497	1001	201	147 8
1978	131 18	6297	315	1999	176 5	497	1019	205	150 7
1979	135 00	6480	332	1952	172 3	499	1038	208	152 9
1980	141 16	6776	368	1841	162 5	499	1091	219	160 8
1981	204 96	9838	412	2388	210 8	513	1231	240	126 5
1982	240 24	11532	456	2529	223 2	530	1285	242	177 9
1983	239 88	11515	512	2249	198 5	535	1348	252	185 3
1984	301 67	14480	517	2801	247 2	550	1445	263	193 4
1985	327 13	15702	530	2963	261 5	551	1499	272	200 0

Source Indian Labour Statistics different years

TABLE 3

Year	Total Wages (Rs Lakh)	No of Worker Days (Lakh)	Wage Per Day (Rs)	CPI 1960 100	Real Wage Per Day (1960 Prices)	Index of Real Wage 1968 100
Sugar						
1968	1869	261 5	7 15	177	4 04	100 0
1969	2435	336 5	7 24	175	4 11	101 7
1970	2728	348 0	7 84	184	4 26	105 4
1973	3183	298 8	10 65	236	4 51	111 6
1974	3522	295 9	11 90	304	3 92	97 0
1975	5086	478 2	10 64	324	3 28	81 2
1976	5125	473 3	10 83	296	3 66	90 6
1977	5307	501 0	10 59	321	3 30	81 7
1978	7232			329		
1979	7811	408 8	19 11	350	5 46	135 1
1980	8[illegible]3	348 6	22 32	390	5 72	141 6
1981	9557	384	24 83	441	5 63	139 4
1982	13803	465 8	29 44	475	6 20	153 5
1983	16105	490 6	32 83	532	6 17	152 7
1984	15801	431 9	36 58	576	6 35	157 2
Year	Total Wages (Rs Lakh)	No of Workers (000)	Average Annual Wages (Rs)	CPI 1960 100	Real Average Annual Wage (1960 Prices)	Index of Real Wage 1968 100
Paper and Paper Products						
1967	1717	61	2002	172	1164	100 0
1968	1222	55	2219	177	1254	107 7
1969	1508	58	2596	175	1483	127 4
1970	1717	61	2829	184	1537	132 0
1973	2096	57	3 03	236	1569	134 8
1974	2587	59	43 7	304	1426	122 5
1975	2710	60	4539	324	1401	120 4
1976	2962	62	4754	296	1606	138 0
1977	3700	74	5020	321	1564	134 4
1978	4478	70	6397	329	1944	167 0
1979	5323	79	6738	350	1925	165 4
1980	6220	82	7674	390	1968	169 1
1981	6990	85	8224	441	1865	160 2
1982	7388	93	7987	475	1681	144 4
1983	8150	85	9600	532	1804	155 3
1984	9113	84	10849	576	1883	167 8
Year	Total Wages (Rs Lakh)	No of Workers (000)	Average Annual Wages (Rs)	CPI 1960 100	Real Average Annual Wages (1960 Prices) (Rs)	Index of Real Wage 1967 100
Cotton Textile						
1967	24312	966	2517	172	1463	100 0
1968	26930	1051	2562	177	1447	98 9
1969	27744	1038	2673	175	1527	104 4
1970	29550	1040	2841	184	1544	105 5
1973	30634	720	4255	236	1803	123 2
1974	30074	749	4015	304	1321	90 3
1975	42178	749	5631	324	1738	118 1
1976	40894	729	5610	296	1895	129 5
1977	43530	744	5851	321	1823	124 6
1978	52947	783	6762	329	2055	140 5
1979	58412	776	7527	350	2151	147 0
1980	62855	733	8575	390	2199	150 3
1981	61871	675	9166	441	2078	142 0
1982	69030	707	9764	475	2056	140 5
1983	83340	828	10065	532	1892	129 3
1984	84122	671	12536	576	2176	148 7
Cement						
1967	757	28	2717	172	1579	100 0
1968	831	28	2950	177	1666	105 5
1969	886	29	3088	175	1764	111 7
1970	867	29	3022	184	1642	104 0
1973	1417	35	4035	236	1710	108 3
1974	1694	32	5297	304	1742	110 3

Year	Total Wages (Rs Lakh)	No of Workers (000)	Average Annual Wages (Rs)	CPI 1960 - 100	Real Average Annual Wages (1960 Prices) (Rs)	Index of Real Wage 1967 - 100
Cement (Contd)						
1975	2249	35	6343	324	1957	123 9
1976	2236	35	6366	296	2150	136 2
1977	2341	36	6572	321	2047	129 6
1978	2739	34	8054	329	2448	155 0
1979	3209	39	8228	350	2351	148 9
1980	3682	43	8588	390	2201	139 4
1981	4177	45	9282	441	2105	133 3
1982	5663	51	11044	475	2325	147 2
1983	6841	51	13541	532	2545	161 2
1984	8165	53	15455	576	2683	169 9
Iron and Steel						
1967	7699	246	3133	172	1809	100 0
1968	8355	231	3615	177	2042	112 8
1969	9154	276	3314	175	1893	104 6
1970	9732	245	3972	184	2158	119 3
1973	10150	176	5763	236	2441	134 9
1974	11591	138	8403	304	2764	152 8
1975	15792	186	8481	324	2617	144 7
1976	16021	181	8844	296	2987	165 1
1977	17145	193	8898	321	2772	153 2
1978	19357	204	9489	329	2884	158 3
1979	25061	215	11656	350	3330	184 1
1980	27121	234	11607	390	2976	164 5
1981	31119	246	12723	441	2884	159 4
1982	35865	236	15210	475	3202	177 0
1983	41417	245	16895	532	3175	175 5
1984	56395	282	19972	576	3467	191 7
Year	Total Wages (Rs lakh)	No of Workers	Average Annual Wages (Rs)	CPI 1960 100	Real Average Annual Wages (1960 Prices) (Rs)	Index of Real Wage 1967 100
Leather						
1967	283	15758	1796	172	1044	100 0
1968	307	17535	1751	177	989	94 7
1969	316	15798	2000	175	1143	109 5
1970	230	11237	2047	184	1113	106 6
1973	465	17429	2685	236	1137	108 9
1974	531	17767	2959	304	983	94 2
1975	614	17916	3427	324	1057	101 3
1976	825	22991	3588	296	1212	116 1
1977	781	21951	3557	321	1108	106 1
1978	1056	24000	4400	329	1337	128 1
1979	1211	26000	4658	350	1331	127 5
1980	1227	25269	4856	390	1245	119 3
1981	1512	27000	5600	441	1270	121 6
1982	1606	25497	6299	475	1326	127 0
1983	1817	26029	6981	532	1312	125 7
1984	2195	30000	7317	576	1270	121 6
Petroleum Refining						
1967	312	6273	5014	172	2914	100 0
1968	362	6325	5723	177	3233	110 9
1969	446	7041	6334	175	3619	124 2
1970	507	6877	7377	184	4006	137 5
1973	462	4750	9726	236	4121	141 4
1974	694	5630	12327	304	4054	139 1
1975	755	5265	14340	324	4426	151 9
1976	857	6079	14098	296	4762	163 4
1977	974	5967	16323	321	5085	174 5
1978	1167	6000	19450	329	5920	203 2
1979	1218	6600	18455	350	5273	181 0
1980	1220	10316	11826	390	3032	104 0
1981	1289	11700	11017	441	2498	85 7
1982	3986	33900	11758	475	2475	84 9
1983	2410	12145	19843	532	3729	128 0
1984	2764	10650	25953	576	4505	154 6

Note Calculated from data in Table 1

TABLE 4

Year	Wages / Output At Current Prices (Per Cent)	Wages / VAM At Current Prices (Per Cent)	Wholesale Price Index (1970=100)	Value of Output Per Worker-Day at Current Prices (Rs)	Value of Output Per Worker Day at 1970 Prices (Rs)	VAM Per Worker Day at Current Prices (Rs)	VAM Per Worker Day at 1970 Prices (Rs)	Output Per Worker (Tonnes)
Sugar								
1967	6 8	37 2	1528	-	-	—		
1968	4 1	24 8	149	174 2	116 9	28 8	19 3	13 60
1969	4 1	21 4	101	176 6	174 9	33 9	33 6	12 66
1970	4 9	29 6	100	160 3	160 3	26 5	26 5	10 75
1973	4 5	34 0	157	238 4	151 8	31 4	20 0	10 65
1974	4 4	34 2	170	271 0	159 4	34 8	20 2	11 17
1975	4 7	37 8	173	226 9	131 2	28 2	16 3	13 51
1976	5 3	34 5	159	203 7	138 6	31 4	19 7	8 01
1977	4 9	38 6	147	214 6	146 0	27 5	18 7	8 55
1978	5 4	46 7	177					—
1979	6 2	49 4	250	306 5	122 6	38 6	15 4	11 91
1980	6 5	49 5	259	346 1	133 6	45 1	17 4	9 24
1981	4 9	33 1	228	511 3	224 3	75 1	32 9	11 15
1982	4 7	30 0	231	625 7	270 9	98 1	42 5	15 00
1983	5 6	31 3	244	590 00	241 8	104 8	43 0	13 98
1984	6 6	35 5	290	552 0	190 3	103 0	35 5	11 41

Year	Wages / Output At Current Prices (Per Cent)	Wages / VAM At Current Prices (Per Cent)	Wholesale Price Index (1970 100)	Value of Output Per Worker At Current Prices (Rs)	Output Per Worker At 1970 Prices (Rs)	VAM Per Worker At Current Prices (Rs)	VAM Per Worker At 1970 Prices (Rs)	Output Per Worker (Metres)
Cotton Textiles								
1967	14	55	86	17562	20400	4584	5330	4240
1968	15	59	89	17403	19600	4353	4892	4150
1969	14	55	92	18882	20500	4862	5285	4020
1970	14	53	100	20296	20300	5320	5320	4070
1973	15	45	134	26480	21300	9499	7089	5790
1974	11	38	173	35893	20700	10458	6045	5760
1975	17	68	162	33901	20900	8316	5133	5380
1976	14	61	166	40414	24300	9236	5564	5320
1977	12	53	179	47115	26300	10945	6114	4340
1978	13	50	184	50409	27400	13614	7399	4150
1979	13	48	193	52784	27300	15696	8133	4130
1980	14	51	209	59782	28600	16753	8016	4740
1981	14	57	231	64770	28000	16163	6997	4660
1982	14	66	244	68149	27900	14682	6017	3190
1983	15	63	253	74414	29400	17808	7039	3680
1984	15	71	258	84918	32900	17705	6862	3830

Year	Wages / Output At Current Prices (Per Cent)	Wages / VAM At Current Prices (Per Cent)	Wholesale Price Index (1970 100)	Value of Output Per Worker At Current Prices (Rs)	Output Per Worker At 1970 Prices (Rs)	VAM Per Worker At Current Prices (Rs)	VAM Per Worker At 1970 Prices (Rs)	Output Per Worker (Metres)
Leather								
1967	4 2	39	104	42330	40700	4556	4381	
1968	4 1	37	101	39880	39500	4667	4620	-
1969	4 0	40	102	49660	48700	4606	4516	
1970	4 6	37	100	41380	41400	5682	5682	-
1973	3 5	41	170	78130	46000	6641	3907	
1974	4 6	29	184	81560	44300	10228	5559	
1975	3 7	33	208	93480	44900	10306	4955	
1976	3 1	31	228	117640	51600	11448	5021	
1977	3 1	31	228	114250	50100	11395	4998	—
1978	2 9	46	265	150420	56800	13750	5189	-
1979	3 3	27	345	150390	40700	17308	5017	-
1980	3 2	33	380	155640	41000	14768	3886	—
1981	3 5	39	368	158890	43200	14444	4001	—
1982	3 9	37	361	166524	46100	17168	4756	—
1983	4 1	26	385	172710	44900	26883	6932	—
1984	3 8	31	414	190570	46000	23413	5655	—

(Contd)

TABLE 4 *(Contd)*

Year	Wages / Output At Current Prices (Per Cent)	Wages / VAM At Current Prices (Per Cent)	Wholesale Price Index (1970 100)	Output Per Worker At Current Prices (Rs)	Output Per Worker At 1970 Prices (Rs)	VAM Per Worker At Current Prices (Rs)	VAM Per Worker At 1970 Prices (Rs)	Output Per Worker (Tonnes)
Petroleum Refining								
1967	2 25	9 27	088	230030	262500	54070	61413	–
1968	1 64	8 61	92	366633	407400	66450	72228	–
1969	1 90	10 23	95	335171	352800	61809	65062	–
1970	1 90	10 65	100	381857	381900	69200	69200	–
1973	1 33	10 51	142	693140	488100	90463	63710	318 80
1974	0 69	5 21	240	1666567	694400	150035	62510	269 50
1975	0 53	7 30	257	2460040	957200	170522	66350	339 40
1976	0 57	5 59	268	2508150	935900	252678	94280	294 33
1977	0 50	5 02	168	3214667	1199500	325222	121350	316 67
1978	0 58	10 24	270	3341667	1237700	190000	70370	332 67
1979	0 46	09 02	309	3795714	1228400	204545	66200	313 86
1980	0 33	7 64	414	3659150	883900	154769	37380	196 60
1981	0 26	5 81	501	4196667	837700	189743	37870	191 50
1982	0 55	8 8	518	2008665	387800	133584	25790	73 53
1983	0 35	15 5	538	5342867	993100	125760	23380	224 33
1984	0 35	9 6	542	6627845	1222900	271633	50120	249 73
Paper and Paper Products								
1967	5 4	33	88	24108	27400	6007	6826	
1968	7	30	91	19098	32000	7402	8134	
1969	7 9	27	95	32848	33500	9517	9711	
1970	7 5	24	100	37284	37300	11851	11851	–
1973	7 7	26	129	48060	37300	14098	10929	12 05
1974	5 7	15	185	76536	41400	28625	15473	13 19
1975	6 3	18	184	71828	39000	24425	13274	12 02
1976	6 9	24	180	69115	38400	20108	11171	12 55
1977	7 4	26	185	67989	36800	19204	10381	10 99
1978	8 2	30	196	5249	40000	21286	10860	12 33
1979	7 3	28	237	908 5	38300	23924	10095	11 01
1980	7 3	31	262	104282	39800	24317	9281	11 24
1981	6 8	29	282	121765	43200	27894	9891	12 38
1982	7 2	47	300	111686	37200	16977	5659	12 04
1983	6 6	42	326	144749	44400	22680	6957	12 72
1984	5 5	29	364	196301	53900	37351	10261	15 44
Cement								
1967	5 75	21 7	89	47000	52800	12475	14017	
1968	6 02	25 6	90	49200	54700	11650	12944	
1969	5 19	21 7	96	60000	62500	14261	14855	
1970	4 95	22 4	100	60000	60000	13331	13331	–
1973	6 63	43 0	112	61031	54500	9417	8408	356
1974	6 73	41 2	148	78691	53200	12856	8687	411
1975	6 27	31 8	171	102491	59900	20191	11808	353
1976	5 52	28 1	174	115697	66500	22763	13082	530
1977	5 34	23 7	177	121736	68800	28600	161508	449
1978	6 01	29 5	197	134135	68100	27297	13856	481
1979	6 17	31 8	229	133333	58200	25897	11309	390
1980	6 23	37 9	233	137149	58900	22609	9704	346
1981	6 00	37 3	270	154667	57300	24889	9218	462
1982	4 60	29 1	365	241310	66100	70324	19267	441
1983	4 54	16 7	422	295443	70000	78715	18653	502
1984	4 12	15 6	364	374370	80700	98721	21276	552
Iron and Steel								
1967	10 9	59	83	28643	34500	5323	6413	—
1968	10 0	52	88	33348	37900	6908	7850	—
1969	10 5	49	92	35270	38300	7158	7780	—
1970	9 8	45	100	40571	40571	8907	8907	—
1973	9 3	43	143	61972	43300	13553	9478	32 3
1974	8 2	32	171	101974	59600	26276	15366	40 4
1975	8 6	36	184	98935	53800	23494	12768	35 2
1976	8 0	35	187	110515	59100	25224	13489	42 6
1977	7 8	41	188	113450	60300	21542	11459	42 5
1978	6 7	34	213	141520	66400	27829	13095	40 6
1979	6 9	40	259	169488	65400	29023	11206	38 5
1980	6 1	34	272	189337	69600	42735	15700	33 3
1981	5 2	26	332	243184	73200	49714	12846	36 1
1982	5 2	30	387	289963	74900	49906	12896	38 3
1983	6 2	31	416	271172	65200	53776	12927	34 2
1984	6 8	46	463	296808	64100	43910	9494	30 3

Note Calculated from data in Table 1

TABLE 5A

	Money Wages	Real Wages at 1960 Prices
1 *Coal Mining*		
Average 1960 62 Rs pv	1145	1134
1983 85	13899	2671
Rise (per cent)	1114	136
Average 1967 69	2374	1124
1982 84	12509	2526
Rise (per cent)	427	125
2 *Sugar*		
Average 1968 70 Rs pd	7 41	4 14
1982 84	32 95	6 24
Rise (per cent)	345	50 7
3 *Cotton Textile*		
Average 1967 69 Rs pv	2584	1479
1982 84	10758	2041
Rise (per cent)	318	38
4 *Paper and Paper Products*		
Average 1967 69 Rs pv	2272	1300
1982 84	9479	1789
Rise (per cent)	317	3 8
5 *Leather and Tanneries*		
Average 1967 69 Rs pv	1849	1059
1982 84	6566	1303
Rise (per cent)	271	23 2
6 *Petroleum Refining*		
Average 1967 69 Rs pv	5690	3255
1982 84	19185	35 0
Rise (per cent)	237	9 7
7 *Cement*		
Average 1967 69 Rs pv	2918	16 0
1982 84	1334	2 18
Rise (per cent)	357	50 8
8 *Iron and Steel*		
Average 1967 69 Rs pv	3 54	1915
1982 84	1 53	3 51
Rise (per cent)	41	71 3
9 *All Industrial (Factory Sector)*		
Average 196 69 Rs pv	2227	1 77
1982 84	9620	1936
Rise (per cent)	333	51 4
10 Rise in Per Capita National Income 196 69 to 1982 84 at constant price (per cent)		26 2

workers in that industry made a meagre gain of 23 per cent in real wages over a period of 15 years The organised textile industry has also yielded primacy in production to the decentralised sector and hence in spite of relatively good organisational strength textile workers have not fared well in the matter of gains in real wages

The effect of technology on wages also is noticeable Relatively high technology industries like petroleum refining, iron and steel and cement are able to pay relatively high wages to workers One exception to this seems to be coal mining where the wages since 1980 have been high and risen rapidly although it cannot be considered a high technology industry

WAGES AND PRODUCTIVITY IN COAL MINING

Coking coal was nationalised in the year 1971 and rest of coal mining in 1972 The immediate impact of this on both labour productivity and real earnings, it will be noted from Table 2, was adverse It is possible that the very nature and expanse of the coal mining industry was such that the termination of private ownership of mines caused some dislocations and tensions and the new public sector organisations that took over from the private owners took some time to gain real control over operations In any case, the immediate post nationalisation years saw a fall both in labour productivity and real earnings

It will be noted that while during the 12 years 1961 72 the total output of coal rose from 56 1 to 75 7 million tonnes i e by about 40 per cent during the 13 post nationalisation years 1973 to 85 the rise was from 77 1 to 149 9 MT, i e about 94 per cent Similarly in the 12 pre nationalisation years coal output per employee year went up by about 36 to 38 per cent After a brief set back on nationalisation output per employee year returned approximately to that level in 1978 and in the subsequent 11 years of nationalised working up to 1985 the output per worker year went up by over 48 per cent

Over the entire period 1961 85 output of coal per worker year has far from remaining stagnant doubled and much of this increase has come after nationalisation of the industry was consolidated

The benefit that workers derived from nationalisation is even more notable During the 12 years 1961 72 real wages rose by a mere 28 per cent After a couple of years set back the index of real wages (1960 100) rose from 112 2 in 1974 to 267 5 in 1985, a rise of 155 2 points or about 138 per cent Even allowing for the fact that coal miners wages were very low in 1960 and even in 1974, the gains in real wages secured by them after 1974 are, indeed, remarkable and not matched, perhaps, by workers in any other industry These gains have also far outstripped the gains in labour productivity

LABOUR PRODUCTIVITY AND SHARE OF WAGES

For the factory sector as a whole, the share of wages in value of output and value added by manufacture (VAM) has been falling steadily over the years (Table 4) For the group of industries studied here, however we get a mixed picture In sugar and cotton textiles the share of wages in both output and VAM has increased over this period In paper and petroleum refining, although wages as a proportion of the value of output has fallen its share in VAM has risen In leather, cement and iron and steel, the share of wages in both output value and VAM has fallen

A similar mixed picture appears in respect of labour productivity measured in terms of VAM per worker at constant (1970) prices and where figures were available physical production per worker (For sugar, for reasons explained earlier, both VAM and production are taken per worker day) VAM per worker at constant prices shows a fall for paper and petroleum refining, although for the former, physical production per worker

TABLE 5B

	Wages Output (Per Cent)	Wages VAM (Per Cent)	Output Per Worker Day at 1970 Prices	VAM Per Worker Day at 1970 Prices	Physical Production Per Worker
1 *Sugar*					
Average 196 69	5 0	27 8	170 4	26 5	12 33 T/day (As 1968 70)
Average 1982 84	5	32 3	334 3	40 3	13 47
Change (per cent)	14	16	38	52	9
2 *Cotton Textile*					
Average 196 69	14 3	56 3	20167	5169	4137 M Year
Average 1982 84	14 6	66 7	30067	6639	3560
Change (per cent)	2	18	49	28	14
3 *Paper and Paper Products*					
Average 1967 69	5	30	30967	8220	12 42
Average 1982 84	6 4	39	45167	7626	13 40
Change (per cent)	20	30	45 9	7 2	7 9
4 *Leather*					
Average 1967 69	4 1	39	42967	4506	
Average 1982 84	3 9	31	46667	7366	
Change (per cent)	5	20	6 3	63 5	
5 *Petroleum Refining*					
Average 1967 69	1 93	9 37	340900	66234	30923 T/Year
Average 1982 84	0 45	11 4	1328200	33097	18253 "
Change (per cent)	77	21 7	290	50	41
6 *Cement*					
Average 1967 69	5 64	23 0	47667	13939	373
Average 1982 84	4 42	20 5	72267	19732	498
Change (per cent)	21 6	10 9	51 6	41 6	33 5
7 *Iron and Steel*					
Average 1967 69	10 5	53	36900	7348	36 T/Yr
Average 1982 84	6 1	36	68067	11772	35 5
Change (per cent)	-42	32	84 5	60 2	1 3

Sharpen
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has risen slightly For the other five industries in the factory sector, VAM per worker at 1970 prices has risen although in cotton textiles and iron and steel physical production per workers has fallen, only marginally so in the latter

The relation between VAM per worker at constant prices and real wages, again, fails to show any consistent pattern By and large, real wages in these industries seem to have risen more than VAM per worker except in sugar where the rise in both is more or less the same and in leather and tanneries in which increase in real wages has lagged far behind the increase in VAM per worker

Why the behaviour of these variables should be so erratic is difficult to understand Presumably at the level of individual industries a number of parameters such as capacity utilisation relative movement of prices of inputs and outputs, the rate of wage increase the effects of administered prices volume of employment and so on play a part in determining the share of wages in output value and VAM, labour productivity in value and physical terms and its relation to real wages Aggregated for all industries in the factory sector the effect of fluctuations in these parameters possibly get cancelled out and we obtain consistent time series

Conclusion

For the group of industries studied here, it is found that both money and real wages are highest in petroleum refining and iron and steel and lowest for leather This is possibly the result of the higher capital intensity of the former two and the low capital intensity of leather The invested capital to VAM ratio in 1984 was 9 89 for petroleum refining, 7 41 for iron and steel and 2 99 for leather The other contributory factors would be the organised strength of workers and the importance of the industry in the country's economy

For the industries covered here, the rise in both money and real wages over the period covered is far from uniform The highest rise is recorded in coal mining and iron and steel and the smallest in leather (ignoring that in petroleum refining for reason indicated earlier) Here again the gains made by workers appear to be influenced by the importance of the industries in the national economy and the organised strength of workers

In all these industries excepting leather the rise in real wages is higher than the rise in real per capita national income in the same period, very considerably higher in coal mining and iron and steel

In all these industries, again excluding leather, the rise in real wages, during the period covered, has been higher than labour productivity measured as VAM per worker at constant prices, although only marginally so for sugar In all but two industries, share of wages in value of output has fallen but share of wages in VAM has risen in as many as four of the seven factory industries during the period covered These factors would have important implications in the context of wage policy and prices which will need further research

TAMILNADU PETROPRODUCTS LIMITED

6 Nungambakkam High Road Madras 600 034

NOTICE

It is hereby notified for the information of the public that TAMILNADU PETROPRODUCTS LIMITED proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under sub section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the establishment of 2 new units Brief particulars of the proposals are as under

1 Name and address of the applicant
TAMILNADU PETROPRODUCTS LIMITED
6 Nungambakkam High Road
Madras 600 034

2 Capital structure of the applicant organisation
Authorised Capital 10 00 00 000 Equity Shares of Rs 10 each
Issued Subscribed Rs 48 75 00 000
and Paid up Capital

3 Management structure of the applicant organisation indicating the names of the Directors including the Managing/Whole time Directors and Manager if any
The Managing Director is incharge of the day to day management of the Company under the superintendence control and guidance of the Board of Directors

Board of Directors

Thiru A C Muthiah – Vice Chairman
Thiru P S Balasubramanian Managing Director
Thiru Ajay Bhattacharya
Thiru A C Chakrabortti
Thiru J B Dadachanji
Thiru K D Dudhmal
Thiru Mohan Verghese Chunkath
Thiru M R B Punja
Thiru K V Ramanathan
Thiru V D Shah
Thiru R Soundararajan
Thiru P R Sundaravadivelu
Thiru R Shivakumar

4 Indicate whether the proposals relate to the establishment of a new undertaking or a new unit division
2 New Units

5 Location of the new undertaking
Manali Madras 600 068

6 Capital structure of the proposed undertaking
Not applicable

7 In case the proposals relate to the production storage supply distribution marketing or control of any goods articles indicate
Production

i Name of goods/articles	Poly Vinyl Chloride (PVC) and Acrylonitrile (ACN)
ii Proposed licensed capacity	1 00 000 TPA (PVC) and 70 000 TPA (ACN)
iii Estimated annual turnover	Rs 190 Crores (PVC) and Rs 154 Crores (ACN)

8 In case the proposals relate to the provisions of any service state the volume of activity in terms of usual measures such as value income turnover etc
Not applicable

9 Cost of the Project
Rs 250 Crores (PVC) and Rs 200 Crores (ACN)

10 Schemes of finance indicating the amounts to be raised from each source
Internal Resources Rights/Public Issue of Convertible Debentures and Loans from Financial Institutions

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

for TAMILNADU PETROPRODUCTS LIMITED

M B GANESH
SECRETARY

Dated 17th August 1989

Technical Change and Competitiveness in Indian Textile Industry

Sushil Khanna

Why is it that the pace of technical change in Indian industry has been so poor? What are the forces that determine the pace of this change? Since Indian research and development efforts have been meagre, why is it that industry has not imported more advanced techniques from the advanced capitalist economies? What has been the role of Indian capital goods sector in this process? This paper seeks to examine these issues in the context of the cotton textile industry

THE last a few years have witnessed an uneasiness with the industrialisation strategy hitherto followed amongst Indian planners and policy makers It is argued that the old strategy has focused almost exclusively on the home market and has ignored technological changes in the other parts of the globe mainly the advanced capitalist economies The protection from international competition of the earlier semi insular phase has given rise to high cost manufacturing which is inhibiting both the expansion of the domestic market and more rapid development of exports [India 1985 16]

Hence modernisation has become a central objective of the new strategy of liberalisation of the economy The search is on for appropriate stimuli that would prompt Indian industry to adopt radical restructuring re equip and retool as well as fan out into new areas of sunrise industries [India 1985]

The search for appropriate stimuli has prompted our planner to gradually dismantle the entire structure of licensing and controls and slowly open up the economy to international competition This has meant a more liberal import regime with lower and declining tariffs and a renewed invitation to international monopoly capital to come and invest in India It is argued that the bulk of new technologies and innovation are generated within the research and development laboratories of transnational corporations (TNCs) and if Indian industry is to be modernised there is no option but to allow greater inflow of capital and technology from abroad No distinction is made between intra TNC technology transfers and those between TNCs and independent Indian firms The influence of the import lobby is obvious from the fact that the government seriously considered putting imports of technology under OGL (Open General Licence)[1]

As far as traditional and older industries like cotton jute textiles are concerned the crisis in them is attributed to technological obsolescence Government policies in these sectors, it is argued, have been biased against fresh investments, and import restrictions on capital goods and advanced technology have condemned entire industries to obsolete technologies Such high levels of protection have made our industries oblivious to rapid technical change, made them internationally uncompetitive and 'high cost' producers In the cotton textiles sector, where sickness has become endemic the relative success of a few modern firms like Reliance and Bombay Dyeing is used to reinforce the argument that the rest of the industry should be prodded to modernise

Such a viewpoint has in recent years brought forth a new liberalised policy regime with regard to the older industries which it is argued will correct the earlier bias towards outdated technology Imports of technology and capital goods have been liberalised and import duties dramatically reduced The public sector financial institutions have been asked to fund special modernisation programmes at subsidised rates of interest and reduction of workforce accepted as a necessary evil

The question that needs to be asked is why is it that the pace of technical change in Indian industry is so poor? What are the forces that determine the pace of this change? Since Indian research and development efforts have been so meagre why is it that the industry has not imported more advanced techniques from the advanced capitalist economies? What is the role of Indian capital goods sector in this process?

It is our hypothesis that there are good economic and structural reasons why several industries like textiles have not modernised Firstly the very direction of technical change in advanced capitalist countries has been shaped by the specific characteristics of these economies Secondly the very process of production of new technologies—in the R and D laboratories of transnational oligopolies—has been shaped by the corporate strategies of the TNCs to enhance their market power Lastly it is (paradoxically) the very success of some industries in successfully absorbing early generation of foreign technology and becoming efficient and competitive producers of capital goods and technical services that has acted as a barrier towards shift to more advanced techniques And all this has hardly been a disaster, as our policy makers seem to think

In this brief paper, we intend to examine the cotton textile industry in India In this, we intend to move away from the production function type of analysis and use technical and engineering information to understand the direction of new techniques of production and the factors underlying these (Section I) This is crucial to our appreciation of the 'appropriateness' of technical innovations generated by the international textile industry during the last three decades to Indian conditions In Section II we discuss the structure of Indian textile industry and its international competitiveness Section III examines the Indian textile machinery sector whose technology and skill levels as well as technology absorption capacity have influenced the pace of technical change in the cotton textile industry within the country The international competitiveness of this sector and its consequences for modernisation of the Indian textile industry are discussed The consequences of these structural and economic factors for technical change in the Indian textile industry are discussed in the next section (Section IV) The case of textile industry has important lessons for technology and industrial policies in third world countries (Section V)

I

Technical Change in International Textile Industry

The last three decades have seen a very rapid change in the technology for production of yarn and fabric construction The very structure of the textile industry and the technology have been influenced by changes taking place in other industries especially the petrochemical industry and micro electronics These have influenced the pace and direction of this change The major innovations have been concentrated in the advanced capitalist economies of western Europe, North America and Japan though some firms from the socialist countries too have played an important role

Since the bulk of these innovations are concentrated in a small group of transnational oligopolistic combines, it is essential to identify the main actors in this synthesis of technical innovation and capitalist accumulation These comprise the two groups of oligopolies controlling the man-made fibre (mmf) industry and the textile machinery manufacturers Of course, the background is the crisis that gripped the post war textile industry in Europe and North America

In 1950, 81 per cent of the world's spindles and 66 per cent of loomage was concentrated in western Europe and the US, with a significant share of the world exports [Thigpen, 1978 19] With the expansion of the textile

industry in the third world, the export market was rapidly lost and the industry in advanced capitalist countries found its competitive position eroded due to rising wage costs There was added problem of third world cotton producers being unable to provide adequate supplies to meet the post war surge in demand In response to these factors, the industry in the advanced capitalist countries began to scrap spindleage and looms and by mid sixties the share of west Europe and the US had fallen to 40 per cent of world spindleage and merely 26 per cent of looms [Thigpen 1978 20]

The second response was to introduce innovations that would reduce workforce and raise productivity The methods used in the cotton textile segment were to reduce the number of processing stages, to run machines faster and to produce larger packages in the spinning sector and to introduce automatic looms in the weaving sector However the impact of these changes was marginal on productivity and employment The output per spindle hour improved marginally from 0 023 lbs to 0 026 lbs during the 1950s and auto doffing in weaving sheds brought some reduction in workforce [UNCTAD, 1981 239]

More significant innovations in the international textile industry are to be attributed to the introduction of synthetic fibres made from petroleum feedstock A highly oligopolistic petrochemical industry led by Du Pont in the US, ICI in UK and the Farben sisters (BASF Bayer Hoechst) in Germany along with other major actors like Monte Catini, Akozo and Courtaulds evolved aggressive corporate strategies to penetrate the textile industry Backed by their vast market power and large amounts spent on 'application research' this helped to tilt the inter fibre competition in favour of synthetics Their earlier efforts were to produce filament yarn that would replace the cotton yarn in the weaving and knitting sectors Though nylon easily replaced silk in women s stocking the penetration into other segments was poor because of the fibre quality low consumer acceptance and difficulty of dyeing synthetic fabrics Soon texturising of synthetic yarn helped overcome these difficulties The technology to produce textured synthetic filament imparts qualities like bulk greater aesthetic value and superior weaving properties usually associated with yarn spun of staple fibres This process completely eliminates the spinning stage and made possible the use of synthetic fibres in large variety of textile products [UN 1965 164] The other major innovation was the conversion of tow The converter technique makes use of the natural formation of man made fibres produced by chemical plants to convert the uniform, parallel filament into short length fibres (staples) without disrupting their parallelism and convert it into staple sliver and subsequently yarn of high quality [Press 1969 265] Besides being used for production of 100 per cent mmf spun yarn the tow can be converted to top to be blended with natural fibres This substantially reduces the cost of fibre to sliver conversion in the spinning mills

TABLE 1 TECHNICAL CHANGE IN TEXTILE INDUSTRY

Processing Step	Processing Features: Traditional	Processing Features: Modern	Remark
(1) Opening and Cleaning			
(a) Plucking	Manual pluck and feed	Auto belt/coursel feed Mechanical pluck	35 per cent increase hour Faster plucking speed can break cotton fibres
(b) Scutcher	Manual doffing and change of axis	Auto doffing and axis change, larger lap auto transfer to cards Better dust collection	Lap weight rises from 20 to 60 lbs saves labour at feed lap doffing and transfer Direct chute feed to cards possible
(2) Carding	Low speed vibrating combs manual doffing and small cans	High speed rollers auto doffing and large cans	Up to 400 per cent rise in output labour and capital saving due to fall in number of cards and space
(3) Drawing	Slow speed manual doffing	High speed auto doffing and larger cans Auto leveller needed if chute feed at cards	Larger cans mean fewer stoppages and higher machine efficiency Output higher by 10 15 per cent
(4) Roving	Manual doffing	Auto doffing	Output rises by 30 per cent does not offset higher machine cost Roving eliminated in open end spinning
(5) Spinning			
(a) Ring	Manual doffing and piecing	Auto doffing and piecing	Auto piecing expensive and less in use
(b) Open end		Sliver from draw frame broken into constituent fibre in spinning vessel (rotor) Higher rpm and draft factor	Integrates roving and spinning Can eliminate cone winding since packages larger
(6) Cone winding	Manual feed of spindle and cheese, doffing and knotting	Feed knotting and doffing automated Little speed change	Eliminated in open end spinning
(7) Warping	Slower speed and smaller beam size	Higher speed, larger beam and double sided creels	Double sided creel allows operative to prepare one side while the other is winding
(8) Pirn winding	Manual feed and doffing	Auto feed and doffing	Eliminated in shuttleless looms and some auto looms
(9) Weaving			
(a) Shuttle looms	Manual shuttle change and lower yarn tension	Auto shuttle change/doffing unifil attachments can wind pirns at loom	Non auto looms put less tension on yarn and can use low quality yarn Require skilled operatives and stoppages frequent Auto loom output higher if yarn quality good
(b) Shuttleless looms	—	No shuttle Wider transfer of weft by rapier air/water jets 250 600 ppm speeds	Water jets using synthetic fibre can have 800-1200 ppm speeds Cotton yarn cannot withstand such high speeds

Source [Amsalam, 1983] and [Pickett and Robson 1981]

Yet, technical innovation alone was not sufficient to replace cotton as the major apparel fibre. The other major component of the strategy of the mmf producers was to absorb a substantial segment of the textile industry within their fold. Thus in UK, ICI and Courtaulds actively promoted mergers and vertical integration in the textile industry. Courtaulds became the largest textile group while ICI acquired 65 per cent stake in Carrington Viyella. In some cases, noted an EEC report, Courtaulds cooperated with ICI during 1963-68 in providing funds to support major textile groups [EEC, 1975]. By 1969 the Monopolies Commission noted that the two man-made fibre manufacturers controlled more than 39 per cent of the British spinning capacity, 56 per cent of the filament weaving, 65 per cent of warp knitting and [illegible] per cent of doubling [UNCTAD, 1973: 29-33]. Similarly in France, Rhone Poulenc was linked through the shareholding of Gillet family with Dollfus Mieg, a leading textile group [Bolton, 1976: 21].

Thus the synthetic fibre industry used its market and financial power to capture specific end-use or fragmented markets for their products. Their R and D effort were directed not only to elucidating physical and mechanical properties of synthetic fibres but also towards developing new chemicals, dyes and [illegible] to develop petrol machine to or [illegible] synthetic in [illegible] consumer [illegible]. Du Pont developed a new [illegible] dyes and [illegible] fabrics. The [illegible] technology to [illegible] and with other [illegible] of the oligopoly, like ICI with [illegible] Du Pont had [illegible] licensing agreement while patent for processing fabrics (involving high temperatures and pressures) were licensed to textile machinery manufacturers [Khanna, 1984: 7-9].

The market power of the petrochemical oligopoly ensured that synthetics would penetrate cotton end-uses irrespective of price ratios. All through the first two decades after the second world war, nylon and later polyester wrestled away cotton's market share despite the fact that polyester-cotton price ratio was as high as 3.0-4.0 [Thigpen, 1978: 15-16]. Technical innovation, product development and marketing techniques came to play an important role. The imbalance between research and development expenditures on natural and chemical fibres was matched by an equally large gap in advertising outlays which are estimated to be about 1 to 2 per cent of sales. Hoechst, Germany's largest synthetic fibre producer, estimated that about 90 per cent of the consumers were aware of their 'Trevira' brand by 1968 and the marketing strategy shifted to shaping fashion trends through a chain of fashion studios. Advertising was not only aimed at the apparel public but also for providing 'market guidance' to the textile industry [UNCTAD, 1981: 154].

The sharp rise in commodity prices after 1974, combined with the fact that North American cotton production is extremely energy intensive, reduced the polyester/cotton ratio below 1.0. By 1976 cotton had lost about 50 per cent of the world market and about two-thirds of the market in OECD countries [Thigpen, 1978: 16].

The rise of synthetics also saw the gradual decline of rayon staple (cellulosic). Sharp rise in capital costs, pollution control and shortage of pulp increased rayon production costs substantially and dampened fresh investments in OECD countries. Thus polyester and acrylic became the major apparel fibres by mid-1970s.

The other major group of actors on the scene has been the oligopoly represented by the textile machinery manufacturers. This consists of about 25 transnational corporations who control a major portion of world-wide production of machinery either directly or through their licensees. Some of these, like Sulzer, Rüti, Rieter (all Swiss), Zinser and Schlafhorst (from FRG), Platt, Saco Lowell (UK, US), SACM (France) and Nissin and Iwoda from Japan are well known names. Their close links with the petrochemical oligopoly are demonstrated by the fact that every major advance in textile engineering technology since the second world war has favoured chemical fibres over natural fibres. In addition, the drive of machinery manufacturers has been to reduce workforce, to increase machine speeds, reduce the number of processing stages and produce larger packages. This continuously raised capital outlay and by 1965 OECD was already classifying the textile industry as one of the capital intensive industries [OECD, 1965].

Table 1 presents an overview of some of the major technical innovations in textile technology. These represent the more important advances in raising machine speeds, automation of doffing and transfers between sections, and integration of several processes or pieces of equipment in the same machine. The best example of the latter is the open-end rotor spinning that integrates roving and spinning, eliminates speed frame process and cone winding since it produces larger packages [Cripps, 1973]. Table 1 however does not present several other significant innovations which are applicable only to synthetic fibres. One example is the growth of a completely new machinery segment, namely the texturising machines discussed above. Here too the speed of texturising has risen from about 50 metres per minute in 1950 to the current rate of 800 metres per minute. This has been made possible by the integration of separate processes of drawing, twisting, setting, untwisting and final setting of yarn [West, 1979]. These high take-up speeds make higher claims on polymer quality of yarns, illustrating the symbiosis of yarn qualities and machinery design. To be sure, the new type of yarn, i.e. Crimplene, could be knitted on double jersey machines, but the double jersey machine itself was in turn made possible by the existence of such new types of yarn. Major advances in knitting are to be attributed entirely to synthetic yarns. The development of nylon yarn resulted in the use of warp knitting machines, while polyester yarn led to better patterning ability on circular knitting machines [Rothwell, 1980]. Between 1972 and 1977 the warp knitting machine speed increased from 1,000 to about 1,700, and Raschel knitting machines from 550 to 1,000 courses per minute [UNCTAD, 1981: 243]. These innovations have raised the fabric output per hour on knitting machines to levels substantially higher than those from most modern looms. The latest knitting innovation, the 'Presser Foot' ushers in a qualitative change in the entire textile industry. Developed by Courtaulds through 13 years of research, the machine can produce partially or completely finished garments rather than simply knitted fabrics. The Swiss firm Dubied was the first to produce the Presser Foot under a Courtaulds licence, but now Courtaulds have sold exclusive rights for the machine (in Japan) to Mitsui [UNCTAD, 1981: 244]. The links between textile machinery oligopoly and petrochemical transnational corporations have capitulated many textile engineering firms as important suppliers of equipment and technology for man-made fibres. Thus Zimmer (FRG) is engaged in commercialising technology and supplying equipment for polyester plants while Rieter and Inglostadt are important suppliers of melt spinning plants for nylon and polyester [Boon, 1981: 92-96].

The point that needs to be emphasised is that most of the major innovations in textile technology that provide higher spinning and weaving (or knitting) speeds make demands on the textile and mechanical properties of filament or yarn. Petrochemical corporations responded by engineering new fibres with polymer properties to withstand the increase in take-up speeds. An example is the rate of picking in weaving. This used to be 150 picks per minute in the Lancashire loom; now it is 600 picks per minute in water jet looms and recent innovations are aimed at picking rates in excess of 2,000 [West, 1979]. Cotton begins to disintegrate at speeds of 500 picks per minute. Similarly, the use of water jets to project the weft requires hydrophobic (water repellent) yarn or subsequent drying of woven cloth. Hence water jet looms are ideally suited for pure nylon or polyester yarn, though through use of hydrophobic sizes cotton yarn can also be used [Ray, 1984].

What has been the impact of these innovations on the economics of textile industry? Firstly, it needs to be noted that modern technology is extremely capital intensive in the sense capital requirements per unit of output are 8 to 10 times higher than the machines in vogue during the 1950s and 60s (Table 2). This substantially raised capital costs as a proportion of total costs and made it imperative to work the machines on three shifts. Also any downtime due to yarn breakages or other technical faults would make it uneconomic and raise costs. All this demand greater level of efficiency

and integration of all the three stages of cloth production, namely, spinning, weaving and finishing [Schmitz, 1985]

Secondly, the vast range of alternative technologies available makes possible several combinations, though best results are derived only if the 'best use' practices at each stage are introduced

Thirdly the range of labour and capital usages is very wide The most advanced techniques may sometimes use as little as 7 per cent of the workforce compared to a 'traditional mill [Amsalem 1983 45]

And lastly the more capital intensive techniques have a greater share of their capital requirement in equipment compared to buildings and require greater proportion of their workforce to consist of skilled and supervisory workers compared to earlier techniques [Amsalem 1983 47]

This rising capital intensity per unit of output implies that the modern technologies will be introduced only if the higher capital costs are offset by the savings in the wages power and lower wastage of raw material Sharply rising economy wide productivity and wage rates in the advanced capitalist countries has obviously made it economically worthwhile for textile firms to introduce these new technologies Also the increasing penetration of chemical fibres has been a major driving force Besides with the use of synthetic fibres and yarn, certain technical rigidities are introduced especially at the fabric processing and printing/dyeing stages since special chemicals and process have to be necessarily employed This has made some degree of modernisation imperative

II

Structure and Competitiveness of Indian Textile Industry

Indian textile industry is the largest in the world in terms of capacity installed There are 732 spinning mills and 282 composite mills The installed spindles are a staggering 28 0 million, of which about 20 25 per cent are not worked The number of composite mills has not changed much since the early 1950s and the total loomage in the mills have remained stagnant at about 210 thousand about two thirds of which were actually worked around 1987 [ICMF 1989 23 26]

The structure of the Indian textile industry has undergone a profound change during the last forty years Unlike the trends in western economies the Indian textile industry has become more fragmented with a decline in the degree of integration between the three stages As is well known, the weaving is largely in the decentralised sector with the mills playing a diminishing role. The restrictions on the expansion of looms in the mills imposed in the 1950s ostensibly to protect the handlooms has spawned a vast decentralised powerloom sector which has proved to be the most dynamic and rapidly growing sector of the industry The government's efforts to control the expansion of power looms through restrictions on sale of looms etc, have been negated by the technical ingenuity of small engineering workshops and powerloom workers and technicians [India 1974] Thus the number of powerlooms has continued to grow through the last two decades The 'registered' powerlooms jumped from about 2 lakh in late 1971 to more than 6 4 lakh in 1984-85 [IIJ, 1986], while the unofficial estimates put the figure at more than 10 lakh The decentralised sector produces more than 78 per cent of all cloth produced in the country Though, there is no firm estimate of the output from the powerloom sector, it is believed that 50-60 per cent of India's cloth output comes from this sector

Contrary to the general impression, the 1980s saw a rapid expansion in the mill sector The number of spinning mills jumped from 370 in 1980 to 752 in 1987 88 and the installed spindles increased from 20 million to 28 million Bulk of this increase was located in the southern states of Tamil Nadu and Karnataka and Andhra Pradesh Obviously, the expanding powerloom sector needed spun yarn and the new mills were concentrated nearer to the tracts that had recently come under cotton cultivation There has also been a rapid increase in 'processing houses' for finished fabrics and most of the new capacity is concentrated in and around major powerloom centres like Surat, Ichalkaranji Coimbatore etc

There is a general impression that the expansion of the powerloom sector has been possible because of the excise evasion and other illegal transactions However, studies conducted by ATIRA and other organisations show that despite the fact that the powerlooms pay 10-20 per cent higher prices for yarn they are the cheapest producers of fabrics Their cost advantage springs from lower overheads cheaper fixed assets resulting in lower capital costs and lower wages [Ranganathan et al, 1985 100-119]

The mill sector presents a mixed picture. There is a strong opinion that the composite mills have been doing badly since their higher wages and overheads far exceed the economic benefits of integration [Anubhai, 1988] It is true that the condition of many composite mills has worsened during the 1980s, specially since 1984-85 But it is more likely that poor management and shop floor practices have more to do with the differential performance in the mill sector and both spinning and weaving mills seem to be equally affected

TABLE 2 INDEX OF PRODUCTIVITY AND CAPITAL INTENSITY IN COTTON SPINNING AND WEAVING

	1950	1960	1970	1980
Spinning				
(1) Output per worker	100	219	371	732
(2) Output per machine	100	147	216	300
(3) Capital labour ratio	100	116	219	316
(4) Capital output ratio	100	254	812	2640
Weaving				
(5) Output per worker	100	166	307	517
(6) Output per machine	100	119	240	532
(7) Capital labour ratio	100	126	209	330
(8) Capital output ratio	100	209	643	1707

Source [Schmitz, 1985 Table 4 3 and 4 6]

TABLE 3 INTERNATIONAL YARN AND FABRIC COSTS 1987

Cost	Yarn Cost (US$ kg Ne 20s)					Fabric Cost (US$/yd)				
	Brazil	Germany	India	South Korea	USA	Brazil	Germany	India	South Korea	USA
Waste	0 1058	0 1199	0 1015	0 1214	0 1039	0 020	0 022	0 019	0 023	0 019
Labour	0 1192	0 7414	0 0935	0 1145	0 3591	0 055	0 351	0 044	0 023	0 019
Power	0 0383	0 2387	0 2219	0 1690	0 1357	0 017	0 100	0 090	0 068	0 058
Aux Material	0 1216	0 0745	0 1040	0 0861	0 0752	0 058	0 068	0 070	0 067	0 058
Capital	0 9676	0 6601	0 7059	0 4806	0 4955	0 443	0 363	0 329	0 245	0 240
Raw material	1 3000	1 4550	1 2500	1 4700	1 2800	0 242	0 271	0 232	0 273	0 238
Total Yarn Cost	2 6530	3 3896	2 4768	2 4416	2 4494	0 835	1 175	0 784	0 725	0 799
Index (FRG=100)	81	100	75	74	74	71	100	67	62	68

Source [ITMF, 1987 17]

In order to understand the crisis afflicting the textile industry it is important to focus our attention on the raw material sector as well as the demand structure Cotton has continued to be the main raw material for the Indian textile industry With the partition of the country the industry was robbed of supplies of long staple cotton from west Punjab and was forced to rely on imported cotton to bridge the gap The indigenous supplies were not only inadequate but bulk of it consisted of short and medium staple (less than 22 mm) was poorly ginned and had poor spinning characteristics The government encouraged expansion of area under cotton cultivation which quickly rose from 6 6 5 million hectares to 8 million hectares by 1956 Yet yields were dismally poor and the country produced less than 5 million bales All through the 1960s imports accounted for 15 20 per cent of the cotton consumed by the mills in India

The mid 70s saw a qualitative break in the scenario Indian agricultural scientists succeeded in producing new long staple cotton varieties suitable to Indian conditions like Suvin MCU Varalaxmi H 4 etc This also helped to raise the yields to about 195 kg ha from 120 kg ha in 1967 71 period Since 1978 79 India has been completely self sufficient in cotton Simultaneously there has been a marked improvement in the quality of cotton grown an increasing proportion of output is composed of long and extra long staple cotton with excellent spinning properties Thus in 1984 85 about 85 per cent of cotton grown in India had a staple length of above 22mm compared to only 20 per cent in early 1950s Since 1978 79, India has emerged as a marginal exporter of long staple cotton but this is largely due to the inability of the textile industry to absorb increasing supplies of cotton and significant decline in per capita cotton cloth consumption (ICMF 1987) It should be borne in mind that despite low yields India is an internationally competitive producer of raw cotton [Gulati 1987] and prices of cotton have been a major factor in the competitiveness of Indian textile industry

Till 1979 almost 70 per cent of all man made fibres produced in the country and two thirds of all imports consisted of cellulosic staple and filament Made from wood pulp and cotton waste and short fibres, these are easily adapted to cotton spinning systems and present little difficulty in post weaving processing The penetration of synthetic fibres (polyester nylon acrylics, etc) accelerated since the introduction of multi fibre policy and increasing domestic supplies of synthetics especially polyester staple and filament Almost the entire filament is woven in the decentralised powerloom sector (due to restrictions on use of filament in weft by mills) with Surat being the most important centre, while a small oligopolistic group of mills specialise in spinning blended yarn and fabrics This group, consisting of firms like Reliance, Bombay Dyeing, Mafatlals, DCM, etc, have built strong entry barriers through large-scale advertising, exclusive retail outlets and differentiated product promotion strategies [Chandrasekar 1984]

In recent years domestic synthetic fibre availability has under-expansion of domestic petrochemical industry and the emergence of a powerful combine of synthetic fibre producers has led to official patronage to the industry strategy to penetrate the textile industry This has been achieved through the introduction of multi fibre policy dramatic reduction in the excise duties on synthetic fibres and yarns and an encouragement given to mills to instal machinery to process synthetics in the name of modernisation

Despite all this cotton continues to be the main fibre used in the Indian textile industry Thus in 1985 only 15 9 per cent of fabrics available for domestic consumption were pure man made fibre fabrics, while another 10 per cent was accounted for by blends If one keeps in mind that more than half of all man made fibres consumed in India are cellulosic the share of petrochemical based synthetic fibres would be less than 12 per cent [ICMF 1981 42]

The penetration by synthetics has been significant only in some end uses namely suitings (trouser fabrics) shirting and sarees In 1978 52 per cent of all trouser cloth was made of mmfs and blends in terms of metres and 86 per cent in terms of value [India 1980] The penetration by mmfs is not significant in end uses like dhotis ladies dress material and long cloth Though there has been some increase in these proportions in recent years this would not alter the overall picture The hopes generated by the large cuts in taxes on synthetics during the last two years have not yet resulted in any significant increase in consumption of blended and mixed fabrics, though at the margin substitution has accelerated The production of blended yarn by the mill sector has remained stagnant at 200-225 million kgs during the last five years As a matter of fact current levels are about 100 million kgs lower than the production of blended yarn in 1977 79 period There has however been a shift from viscose staple fibre to polyester staple in the mill sector The increase in use of synthetic filament has been more significant but as discussed above most of this is consumed outside the mill sector The consumption of polyester filament has doubled from 72 million kgs to 120 million kgs The decline in consumption of viscose filament has been marginal

Roots of Crisis

One can argue that during the last decade, Indian textile industry has not faced any major bottlenecks in supply of major inputs The problems faced lie entirely on the demand side. There have been closures of mills especially in Bombay Ahmedabad region crisis in the powerloom and handloom sectors where a large number of artisans have been thrown out of work

With 28 million spindles and more than a million powerlooms, besides a very large number of handloom, the installed capacity far exceeds the current levels of demand and production It is possible to argue that the potential output can be 60 100 per cent higher without major additions to capacity The roots of the crisis lie in the inability of the consumer to spend greater proportions on cloth The availability of all kinds of fabrics (i e cotton blends and pure mmf fabrics) has grown on an average by 2 2 per cent per annum during 1970 1987 [1] In other words the cloth output/demand has grown at just below the population growth rates The per capita cloth consumption (all kinds of fabrics) declined from 16 5 metres in 1965 to about 15 55 m in 1970 and to 14 74 m in 1987 [ICMF, 1989] The cotton cloth consumption declined from 15 2 m per capita in 1965 to 14 74 m in 1987

The argument that increases in proportion of man made fibre fabrics implies that cloth consumption has actually gone up since such fabrics last much longer is entirely fallacious As we saw above till recently bulk of mmfs consumed in India consists of viscose (rayon) staple and filament Though high tenacity rayon fibres are available and used, bulk of those consumed in India consist of poor quality and cheaper staples and filament that are considered to be inferior to cotton and fabrics woven from such fibres only have about 80 per cent of the life span of similar cotton fabrics Only, petrochemical based synthetic fibres (polyester, acrylic) have a longer life span and fabrics blended with such yarns or entirely made from them have a life span that is 2 to 2 5 times longer [Khanna, 1984]

A large number of studies have estimated the relationship between demand for cloth and cotton/total apparel fibres on the one hand and growth of per capita income and/or economic activity indicators like the Index of Industrial Production on the other In none of these studies do we find a negative correlation between per capita income or any other index of per capita economic well being (like GNP per capita GNP, IIP, etc) and cloth consumption A major World Bank study based on fibre consumption data for 104 countries and using both cross section and time series analysis found a strong and positive relationship between income growth and fibre/cloth consumption The coefficient of elasticity of per capita fibre consumption with respect to average income was found to be 0 5 for developing countries while developed countries had a coefficient of 0 07[2] The elasticity for cotton cloth/cotton fibre was also positive, the exact coefficient being a function of cotton/synthetic price ratio assumed in the study [Thigpen, 1978] In other words, India is one of the very few regions in the globe, where despite rising per capita incomes, the per capita cloth consumption has declined This, probably is due to increase in income inequalities in the economy

If our hypothesis that worsening income distribution has depressed overall demand for cloth is correct and this is specially marked in the demand for cheaper cotton cloth an increase in per capita cloth consumption hinges on factors that will stimulate demand for cloth through providing greater purchasing power to the poor in India The other possibility of a reduction in real price of cloth is ruled by the fact that India is already one of lowest cost producer internationally and cloth consumed by the poor is hardly taxed The wide difference in the price of synthetic and cotton fabrics implies that cotton fabrics will continue to command consumer preference because of their lower cost and because of the kind of fabrics consumed by the Indian consumers It is at this segment of industry any effort to stimulate demand must focus

This decline in consumption must also be weighed against the fact that the Indian textile industry is one of the lowest cost producers of cotton cloth in the world An IIMI study on international production costs shows that Indian yarn and fabric production costs are lower than most other countries (Table 3) The main advantages of the Indian mills lies not only in the low wage costs but the fact that the Indian farmer is a competitive producer of cotton It should be kept in mind that the cost comparisons are based on costs in a standard mill equipped with 13 000 Reiter ring spindles and 140 Sulzer type looms Since only an insignificant proportion of mills use Sulzer type looms (though Reiter type spinning plants are more common) the capital costs are grossly overstated Also the study assumes an interest rate of 18 per cent pa for India compared to 22 5 per cent for Korea and 7 5 per cent for the US [ITMA 1987 11] This explains how in the ITMF study costs in Korea and the US turn out to be closer to Indian costs

In reality Indian textile industry largely depends on indigenously produced machinery of the traditional kind Due to the use of second hand and locally produced looms used in the decentralised sector the fabric production costs should be substantially lower than those shown in Table 3 That the quality of the fabrics produced from such equipment may be different from those considered in the ITMF study and may affect fabric exports need not concern us here As far as the Indian textile industry is concerned it is the domestic market that determines the health of the industry The lack of purchasing power and the inability of the consumer to absorb higher priced quality fabrics produced from shuttleless looms has made the market extremely price sensitive Hence the ability of the industry to keep capital costs low has been an important factor in competitiveness Here the textile machinery manufacturers have played a crucial role and it is they whom we bring into our focus

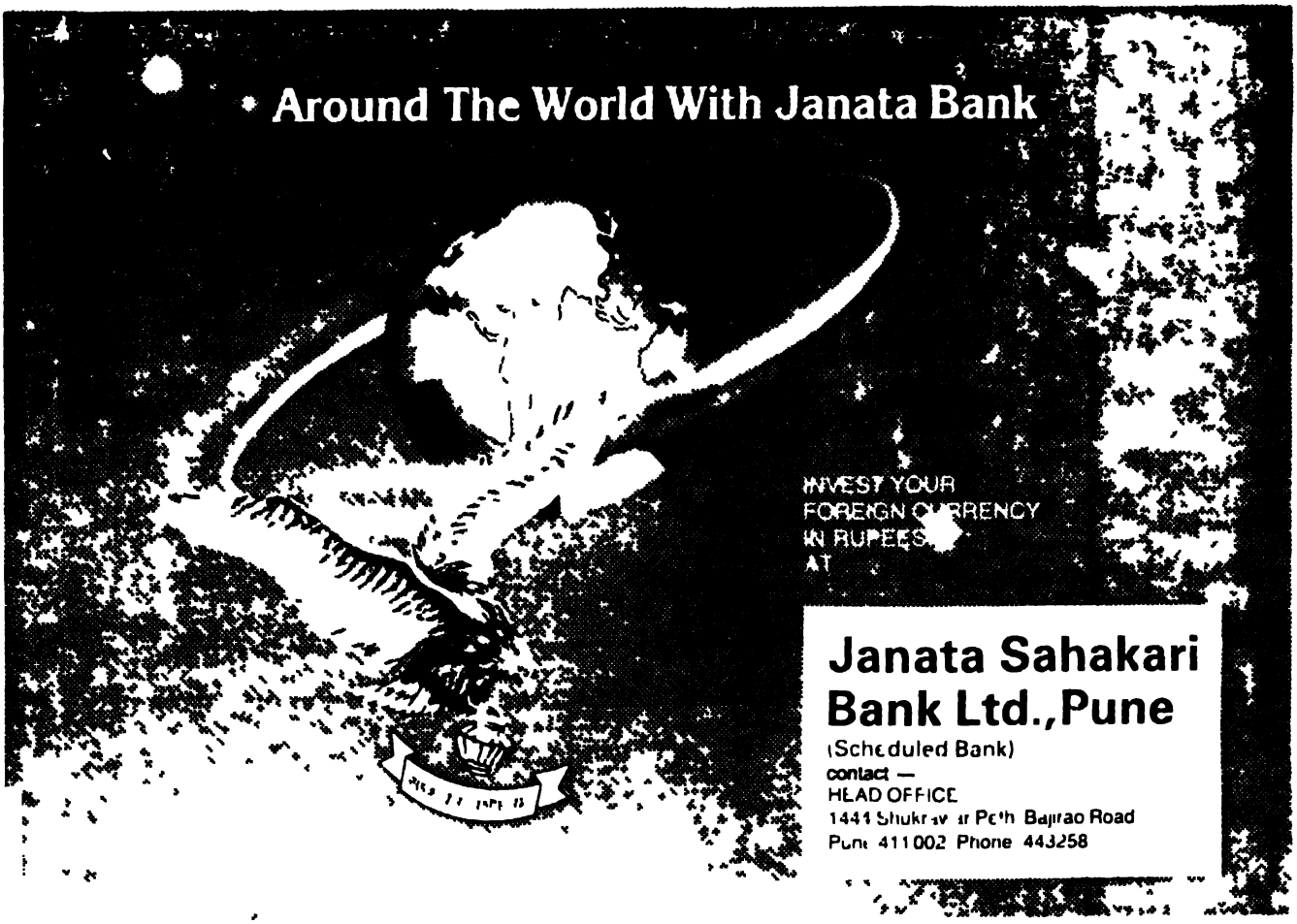
III

Indian Textile Machinery Industry

Since capital costs form about 40-55 per cent of textile industry's production costs the world over [ITMF 1987] the international competitiveness of the textile industry depends to a great extent on the costs of fixed assets especially the machinery costs Given the tight import regime, the Indian textile machinery producers also shaped the choice of technology

Till the Second Five-Year Plan, the bulk of textile machinery installed was imported It was during the 1960s that the textile machinery sector made major strides The share of imports in the total machinery available fell from about 60 per cent in 1961 to less than 9 per cent by 1974 [World Bank, 1975 2] By 1982-83 imports again rose to about 25 per cent of machinery purchases [ICMF, 1987 93] This rise is partly due to the inclusion of machinery for synthetic fibres (strictly speaking chemical machinery) in the data and partly due to the higher import content of new generation modern machines now produced in the country since the late 70s The Indian textile machinery sector also exports about 8 10 per cent of its total output

Except for two firms (Lakshmi Machine Works and National Machinery Manufacturers) all the firms engaged in textile



machinery production, produce a wide range of industrial machinery However, different firms tend to concentrate on a narrow product range Thus Lakshmi concentrates on spinning and pre spinning machinery Texmaco/CIMMCO and MMC concentrate on weaving sector while others like Swastik and Manekbhai on processing machinery [Desai 1983]

The bulk of the output of textile machinery is based on designs acquired from leading international firms from Switzerland Germany and UK during the 1950s and 1960s Most Indian machinery producers have well absorbed the technology developed local ancillary suppliers and made minor design changes to suit Indian conditions and raw materials However only few had R and D programmes of any consequence

Given the government's policy which placed restrictions on expansion of powerlooms in the mills or the decentralised sector the weaving machinery constitutes only 15 20 per cent of the total output The unauthorised expansion of powerlooms led to the growth of a large number of small scale powerloom manufacturers who sold their output in semi knocked down condition as accessories Most of these are Lanchashire type underpick looms though overpick looms are now becoming popular About 55 65 per cent of total machinery output was spinning machinery catering to the large number of new spinning mills coming up in Tamil Nadu and other centres

In the early 1960s the spate of collaborations had narrowed the gap between Indian and foreign technology [Desai 1983 158] The gap began to increase once the textile industry in advanced countries began to switch to synthetic fibres as a major raw material and a flood of imports from centres like Hong Kong and Korea hastened modernisation Thus by 1975 the technology gap between Indian machinery manufacturers and those in advanced capitalist countries was wider [World Bank 1975]

But as mentioned above leading firms like Laxmi Machine Star Textile etc were able to successfully absorb the technology imported in early 1960 and developed a chain of local suppliers of components and accessories amongst the more efficient firms the product designs are regularly improved and quality is comparable to the best machines of conventional designs The small R and D programmes were directed at redesigning components to meet Indian conditions marginally increasing the speed of existing machines and adopting machines for other than their original purpose (e g cotton ring frame for worsted spinning or doubling) and copying the design of an imported machine with some modification to suit the Indian market or the manufacturer's machine tools Sometimes, the programmes were aimed at cheapening the machine (e g, CIMMCO's efforts with auto-looms) by removing more sensitive components [World Bank 1975 19]

A fiercely price sensitive domestic market and fluctuations in demand ensured that the best firms in the industry enjoy enormous cost advantage over international producers Thus the World Bank study found that Indian firms sold ring frame for Rs 1 96 lakh compared to Reiter's price of Rs 3 45 lakh and speed frames for Rs 2 4 lakh against comparable machines international price of Rs 5 4 lakh However products like combers, which had a high import content (in 1975), were only 10 20 per cent below world prices [World Bank 1975 28] All this was achieved with machine shops that used single purpose non automatic light machine tools

Table 4 compares cost structure of a leading Indian manufacturer and a Swiss TNC The Indian firm has significant cost advantage in labour and overhead costs, which together account for half the price differential between Indian manufacturer and the TNC Indian plants were also less capital intensive used older generation machine tools and antiquated foundries This led to lower capital cost (depreciation and interest) In other words the Indian textile machinery industry has a substantial cost advantage in all factors of production

These advantages have partly been eroded by higher steel prices in recent years A study by Pickett and Robson found Indian textile machinery to be 30-50 per cent cheaper during 1980s [Pickett and Robsons, 1981 21]

The diffusion of knowledge to fabricate parts accessories and even entire pieces of fairly sophisticated machinery has led to a thriving un organised and small scale sector that supplies both mills and the unauthorised powerloom sector The technological ability of this segment to maintain recondition and produce new machinery largely underlies government's failure to check the expansion of decentralised powerloom sector in places like Bhiwandi and Surat These producers often are able to supply the equipment and accessories at prices that are a fraction of even the organised sector Indian machinery manufacturers prices

The general conclusion that one can draw is that once the Indian capital goods producers successfully absorb the imported technology, the imported components are replaced by local manufacturers and links with local suppliers forged Indian's vastly cheaper skilled and supervisory manpower provides comparative advantage, making the more efficient firms in the capital goods sector cost competitive by international standards This is not to deny that the less efficient firms may have higher costs, may be producing goods of poor quality and may find it difficult to maintain market shares

TABLE 4 COMPARISON BETWEEN INDIAN AND FOREIGN COST STRUCTURE FOR SIMILAR MACHINES

	TNC	Indian	Difference Absolute	Difference Relative
Sale price	100 0	60 0	40 0	40 0
Raw material	40 0	28 0	12 0	30 0
Labour	11 0	2 2	8 8	80 0
Overheads and salaries	18 0	7 3	10 7	55 0
Sale and royalty	7 0	6 0	1 0	12 0
Depreciation	7 0	3 0	4 0	55 0
Interest	4 0	1 5	2 5	63 0
Profit before tax	15 0	12 0	3 0	20 0

Source [World Bank 1975 28]

TABLE 5 RETURN ON MODERNISATION IN TEXTILE MILLS

Stages of Manufacture	Type of Replacement	Payback Period (Years)
(1) Blow room	Single process auto doffing	50 0
(2) Cards	High production cards 30 rpm	9 5
	40 rpm	5 5*
(3) Combers	High speed combers	13 0
(4) Fly frames	High speed canted inters	17 0
(5) Ring frames	High speed warp ring frames	1 2*
(6) Winding	High speed winding	
	– Barber Colman type	50 90
	– Autocomer type	3 5*
(7) High speed machine	0 7*	Warpins
	Super speed machine	13 5
(8) Loomshed	Auto loom	6 0
	High speed auto loom	10 0
	Shuttleless loom	33 0

Note * acceptable
Source [ATIRA 1977 Table 16]

IV

Issues in Modernisation

The government of India faced with a growing crisis in the textile industry has identified lack of modernisation as the major reason for growing sickness The higher profit rates and rapid expansion of some members of the textile industry oligopoly specialising in fabrics of man made fibres and blends has also fostered the impression that the use of advanced techniques embodied in the latest generation of textile machinery is the key to survival of firms In response the public sector financial institutions are providing subsidised credit and import duties on advanced machines have been lowered The Indian textile machinery industry has sent numerous delegations to centres in advanced countries to look for collaborations [ITMA 1979] Thus Laxmi Machine has entered into collaboration with Reiter for wider blow room line and with Investa (Czechoslovakia) for open end spinning Mafatlal with SACM for rotor (OE) spinning and shuttleless looms CIMMCO with Dornier for Rapier looms [TMMA 1982 24] These new machines require a large percentage of imported components and the manufacturers are forced to modernise their machine shops and tools The royalty payments for technology and import duties on components make the second generation textile machines 20 50 per cent more expensive than world prices, leading to a pressure by mills to allow duty free imports of similar machines [Bhagawati nd]

Thus while the conventional textile machinery prices in India are about 40 per cent below world prices the more modern machines are about 30 per cent more expensive If one keeps in mind that the most advanced machines raise the capital output ratios 5 to 10 times (Table 2) then the modernisation is a capital deepening process

Given the low wage rates in India (amongst the lowest in the world) the savings from the reduction in workforce per unit of output are hardly enough to defray the increased capital costs of introduction of advanced machinery

This is clearly brought out in a study by ATIRA [ATIRA 1977] summarised in Table 5 The study was limited to modern machines manufactured in India in 1976 and excludes the latest generation techniques like bale plucking in blow rooms, chute feed to cards, autolevellors, open-end spinning, etc. As Table 5 shows given the low level of wages in India, most of the modern machines had pay back periods ranging from 10 to 50 years The picture would be even more dismal if more expensive third generation imported or import based machines were to be considered This, thus, constitutes the most important economic reason for the reluctance of Indian mills to modernise.

The other important factor is that the fibre used in Indian textile industry is still mainly cotton This is even more true of the mill sector at which the modernisation programmes of the public sector financial institutions are aimed For example, in 1983, 83 5 per cent of yarn produced by mills was 100 per cent cotton and another 8 5 per cent consisted of cellulosic and cellulosic-cotton blends Thus synthetic and cotton synthetic blends constituted only 8 per cent of the yarn output in the mill sector [ICMF, 1987 27]

But if modern techniques of production help the Indian textile industry to produce high quality cotton and synthetic fabrics will not better sales realisation help to amortise higher capital costs? Here one is forced to return to the peculiar characteristic of Indian market and the process of incoome generation The low purchasing power of Indian consumer has acted as the most significant barrier along with the fragmented structure of textile industry Bulk of Indian cloth is sold at prices range of Rs 6 8 per metre Studies have shown that machinery renewal even without change in technology in the weaving sheds of composite mills (i e, by replacing non auto looms with the same type) the capital costs of replacement would require fabric prices to rise to at least Rs 10 per metre [Bhave et al 1983] For shuttleless looms that sell in India for Rs 8 10 lakh compared to Rs 15 000-20,000 for non automatic loom the fabric price would have to be at least Rs 25 30 per metre for the modernisation to be viable. Same is true of spinning mills where modernisation compels mills to shift their product-mix towards high-priced yarn varieties[Shanbhag, 1985 39]

There is little possibility of the Indian consumer paying such high prices for so-called 'better quality' fabrics Actually, India is one of the few countries where despite rising per capita income, per capita cloth consumption had declined It is because of the limited market for high priced fabrics (less than 20 per cent of total output [Shanbhag, 1985 47]) that 70 per cent mills that modernised slid into crippling losses after modernisation Many of these mills expected to change their product mix towards synthetic blends but found it difficult to successfully sell their products A powerful and well knit oligopoly has successfully erected powerful entry barriers to this segment of the market [Chandrasekhar, 1984])"

V

Conclusions

Why is it asked Rosenberg in a well known paper that in underdeveloped countries, with abundant supplies of labour and scarce capital the scarcity of capital has not led to the development of capital saving techniques? [Rosenberg 1963] Others, like Well, have been concerned with the rising capital intensity despite factor proportions in such countries favouring labour intensive methods of production [Well 1975 71 93]

Rosenberg s answer to this lack of symmetry between factor endowments and

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technical change was simple. Third world countries lack an efficient capital goods sector where new machines are to be produced to change the techniques of production in the consumer goods sector. Improving the efficiency in the capital goods sector which would lower the cost of capital goods would amount to a capital saving innovation for the economy as a whole. The small size of the home market and the narrow industrial base of the third world economies make it impossible to realise these efficiencies. Given this, the consumer goods industries in such countries are forced to depend on imported technologies and capital goods and possibilities of capital saving innovations are aborted. The use of advanced capital intensive techniques is more pronounced when the investor is a transnational corporation enjoying a monopolistic position [Well 1975 85].

The case of Indian textile industry bears out these contentions. One can argue that the failure of Indian textile industry to modernise must be attributed to the inappropriate techniques available from advanced countries and to the efficiency of the Indian capital goods sector. The low and declining cost of textile machinery in India has provided a capital saving possibility which has been well exploited by the textile industry both organised and unorganised. Low purchasing power of the people has made the demand extremely price sensitive. An efficient raw cotton producing sector has made any large scale shift to synthetic impossible without raising the fabric price to the consumer. The advanced techniques bias towards synthetics has been an additional factor. Thus the technical change in the advanced countries has only marginal relevance to Indian conditions.

It is difficult to draw economy wide conclusions on the basis of an industry study. If however one may take liberties, the question of international (price) competitiveness of Indian industry is far more complex and imports of advanced techniques of production is not necessarily the answer. As a matter of fact one may argue that if public policy is biased towards imported technology and associated capital goods this may sunder the links between the user industry and domestic capital goods producers. Such a process would also undermine the future of domestic capital goods sector depriving the economy of innovations and supply of techniques more suited to our factor endowments. A structural transformation of the economy through a strategy of industrialisation will continue to elude us.

Notes

[An earlier version of this paper is forthcoming in M Eapen (ed) *Indian Industrialisation Problems and Prospects* being published by Oxford and IBH. The author is grateful to Nirmal Chandra, Sudip Chaudhuri and an unnamed referee for their comments. I alone am responsible for the errors and omissions.]

1. A semi log regression fit with time as the independent variable and total cloth availability as dependent variable provides a regression coefficient of 0.0226.
2. The study is based on data from 104 countries and uses (a) inter-country cross section analysis of relation between per capita consumption of cotton and apparel fibres and per capita income and (b) multiple regression analysis of mill consumption of cotton cloth and cotton prices and income. Indian Planning Commission projections of demand for cloth are based on similar models with similar elasticity. See for example India 1977.

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NOTICE

It is hereby notified for the information of the public that **Lipton India Limited** proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub section (2) of Sec 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the establishment of a new unit Brief particulars of the proposal are as under

1 Name and address of the applicant	Lipton India Limited Dayanand Bhawan 5/3 Asaf Ali Road New Delhi 110 002	
2 Capital structure of the applicant organisation	Authorised Share capital Subscribed Share capital Paid up Share capital	Rs 2500 lakh Rs 1575 lakh Rs [illegible] lakh
3 Management structure of the applicant organisation indicating the names of the Directors including the Managing/Wholetime Directors and Manager if any	Board of Directors Mr B R Shah Mr C J Mahimke Mr P K Dutt Mr S M Dutta Mr K B Dadiseth Mr P M Sinha Mr A C Chakraborty	
4 Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division	New Unit	
5 Location of the new unit	Etah (Uttar Pradesh)	
6 Capital structure of the proposed undertaking	NOT APPLICABLE	
7 In case the proposal relates to the production storage supply distribution marketing or control of any goods/articles indicate		
(i) Name of goods/articles	Packet Tea and Processed Instant Tea	
(ii) Proposed Licensed capacity PA	10 000 MT	
(iii) Estimated annual turnover	Rs 50 crores	
8 In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income, turnover etc	NOT APPLICABLE	
9 Cost of the project	Rs 2 5 crores	
10 Scheme of finance indicating the amounts to be raised from each source	Internal accruals	

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhawan New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein

Sd/
O P AGARWAL
COMPANY SECRETARY
LIPTON INDIA LIMITED
P 44 HIDE ROAD
CALCUTTA 88

Dated this Twentyeighth day of August 1989

Market Structure and Innovation

A Survey of Empirical Studies of Schumpeterian Hypotheses for Developed Countries and India

Sanjay Kathuria

This paper seeks to provide a fresh appraisal of the empirical literature that analyses the Schumpeterian hypotheses pertaining to the relationship between firm size and market structure, on the one hand, and inventive activity on the other. In the traditional literature on developed countries the consensus was that large firm size and increasing concentration increased innovative activity only upto a point. However, more recent literature which adopts a more comprehensive approach has questioned the received wisdom. The writings on India, like on other developing countries, have mainly adopted a case-study approach to these questions and have come up with insightful but as yet non-generalisable conclusions.

I

IN Schumpeter's characterisation of the modern industrial economy (a) large firms exploit economies of scale in R and D and unforeseen innovations better than smaller firms (b) monopoly power which often goes hand in hand with large firms enables the firm to prevent imitations and hence gives them incentives to innovate. Moreover the process of creative destruction keeps these firms alive to the threat of rival innovators and potential rivals. On this latter point Schumpeter's observations are instructive:

> It is hardly necessary to point out that competition of the kind we now have in mind acts not only when in being but also when it is merely an ever present threat. It disciplines before it attacks. The businessman feels himself to be in a competitive situation even if he is alone in his field or if though not alone he holds a position such that investigating government experts fail to see any effective competition between him and any other firms in the same or a neighbouring field and in consequence conclude that his talk under examination about his competitive sorrows is all make believe. In many cases though not in all, this will in the long run enforce behaviour very similar to the perfectly competitive pattern [Schumpeter 1949, p 85]

and in an earlier paragraph

> But in capitalist reality as distinguished from its textbook picture it is not that kind of competition which counts but the competition from the new commodity the new technology the new source of supply the new type of organisation (the largest scale unit of control for instance)—competition which commands a decisive cost or quality advantage and which strikes not at the margins of the profits and the outputs of the existing firms but at their foundations and their very lives [Schumpeter 1949 p 84]

Most of the empirical studies of Schumpeterian hypotheses in developed countries (DCs) have tended to neglect this most important notion of existing and potential rivalry. One of our intentions in this paper while surveying this literature, is to indicate possible associations of the empirical studies with the concept of existing and potential rivalry.

In this survey we have identified a dual task for ourselves. In the first part we shall as mentioned above, survey the DC empirical literature. This should be seen partly as a complement to the existing surveys viz Kamien and Schwartz [1975 1982] and Scherer [1980] in that, while mentioning all the important findings we have sought to include and often highlight work that has not formed part of these surveys. More importantly recent evidence that has been published after the earlier surveys were completed calls into question the validity of the earlier conclusions and occupies a prominent place in our survey. The second part of this survey deals with the literature on India with a focus on those studies that either explicitly or implicitly analyse the Schumpeterian hypotheses.

Section II mentions the variables most frequently used to explain R and D activity in DCs. The subsequent sections take up each of these variables in turn. Section III looks at the studies on the relationship between R and D and firm size. Section IV on R and D and concentration. Section VI on R and D and technological opportunity. Section VII on R and D and barriers to entry and Section VIII on R and D and rivalry. In Section V we point out connections between the variables mentioned above and aspects of rivalry. Section IX briefly examines the case for treating R and D as a capital stock. Section X presents new evidence on Schumpeterian hypotheses. The second part of this survey begins with Section XI where we introduce the developing country picture of technological change (TC). Section XII looks at the econometric treatment of TC in India. XIII surveys the case study approach and XIV sums up the Indian literature. Concluding comments are offered in Section XV. Throughout this paper we shall be dealing only with TC in business firms and industries and not in research institutions universities etc.

II

Explanatory Variables

A vast amount of work has been done in the last two decades on empirical studies of the Schumpeterian hypotheses yet most of the substantive claims made are shrouded in controversy.[1] Many different variables have been adduced to explain R and D behaviour of firms and industries. These variables are not mutually exclusive and often overlap. The most important ones to have been studied are (i) firm size (ii) concentration and market share (iii) barriers to entry, (iv) technological opportunity and (v) rival R and D behaviour. Each one of these variables is associated with the degree of rivalry in R and D behaviour of a firm and conditions the environment in which rivalry takes place. The extent of rivalry influences the degree to which a firm can appropriate the benefits from its innovations and thus determines the incentives for undertaking R and D. R and D is also undertaken as a defensive measure to prevent loss of markets via rival preemption. The likelihood of preemption is obviously related directly to the degree of rivalry.

The empirical work has been conditioned by availability of data. We shall not discuss the problems that have been caused by this nor indeed those relating to the definition of an industry. These are documented in Grabowski and Mueller [1970].

III

R and D and Firm Size

(a) *Size and Research Intensity*. The size of firms was alternately measured by employees capital assets and sales volume. R and D by R and D expenditure, scientific personnel engaged in R and D invention patents received and sales associated with new products introduced. Each measure has its own merits which are discussed in Kamien and Schwartz [1975]. The general conclusion of these studies is that research intensity (R and D size) increases up to a certain firm size followed by a constant or even declining intensity (for the US this threshold size is near the bottom of *Fortune's* 500 biggest firms [Scherer 1980, p 420]. The threshold varies from industry to industry. In the chemical industry this pattern is not observed where there seems to be increasing research output intensities

with size. In the engineering, metal manufactures and rubber industries, patents increase less than proportionately with size [Needham 1975, p 250]

Later work in this field has grown in sophistication Loeb and Lin [1977] investigate the R and D size hypothesis for the pharmaceutical industry, using a specification error approach They test four different equations, incorporating non linearities in the structure and find an unequivocally declining research intensity with firm size. Soete [1979] finds no evidence for this relationship for individual industries but, at the global level he finds research intensity increasing with size (research is measured by company financed R and D) Soete hopes to have invalidated most of the earlier empirical work The data he uses is for 1976 and 1977 from *Business Week* but it is not clear why earlier data should be 'obsolete' Moreover R and D expenditure is, as mentioned earlier, just one of the many measures that can be used to estimate R and D and is not the universally best criterion, as Soete suggests In particular, our choice would depend on whether we want to focus on inventive effort or output, and we may even wish to use more than one measure. We should also remember that R and D expenditure measures only the formal dimension of R and D activity, whereas much of R and D is informal in character, largely undertaken by smaller firms [Scherer 1980, Kamien and Schwartz 1975]

A major problem with Soete's results is his use of a global analysis covering all industries (this is true for much of the preceding empirical literature) He has not attempted to standardise data for the effect of differing technological opportunities in different industries, both theoretical and empirical literature predict a very significant role for this variable in influencing R and D activity (see Sections VI and X)

(b) *Size and Efficiency* Estimated elasticities of research output with respect to research input suggest economies of scale at low firm sizes, but diseconomies at large sizes [Kamien and Schwartz 1975] There seems to be a good deal of evidence to suggest that for a piece of work that is within their capacity and resources, small firms are far more efficient Large firms tend to be cramped, sluggish and bureaucratic Where they come into their own is in innovation in areas requiring large scale R and D, product development and marketing

Link [1980] approaches the efficiency issue via a rate of return criterion for a cross-section of firms in the chemical industry He finds that a large firm is a pre-requisite for efficient innovative activity (measured by rate of return on R and D expenditure) only up to a point, beyond which the influence of size remains constant This is at variance with the earlier conclusion that the chemical industry all over the world exhibits a greater than one elasticity of R and D output to firm size.

Link's study is an answer to the criticism voiced by Fisher and Temin [1973] that existing studies relating innovative inputs with firm size do not test the Schumpeterian hypothesis because the hypothesis relates to inventive output and not to input This is supported by two studies quoted in Link [1980] It is shown theoretically by Kamien and Schwartz [1969] and empirically demonstrated by Link [1978] that, given economies of scale in production of output and in production of innovations, the transformation between R and D inputs and innovative output is not necessarily monotonic. However, as we have seen, these scale economies do not seem to exist beyond a modest firm size Kamien and Schwartz [1982] conclude that the use of either input or output measures of inventive activity is justified (p 57) Kohn and Scott [1985] argue that since it is easier to measure R and D input than output, we should try to learn as much as possible about the R and D output—size relationship by observing the R and D input size relationship [2]

(c) *Size, Liquidity and Profitability* Large firm size and monopoly power often coincide Firms with high liquidity and profitability are generally large and monopolistic This financial slack (alongwith organisational slack), the Schumpeterian hypothesis argues, enables the large firm to undertake substantial investment in R and D The (large) firm could also look at current profits as an indicator of success of its past R and D efforts and of the likelihood of future profits and therefore go in for higher R and D [Mueller 1967, p 62]

Mueller [1967] estimated a four- equation model of the firm to explain R and D, capital investment, advertising and dividend payments for a 67-firm sample over 1957-60 He found that profits in the R and D equation act as a significant measure of expectations (the coefficient of profits varies directly with the level of overall business activity), depreciation seems to represent the flow of liquidity and is statistically significant

These results are supported in Howe and McFetridge [1976] for 81 firms over the period 1967-71, depreciation and after-tax profits are statistically significant for domestic firms Mueller [1967] and Grabowski and Mueller [1972] write that there are pitfalls in focusing on only one aspect of firm investment behaviour and stress that, especially for policy purposes, the inherent simultaneity of many of the firm's decisions must be taken into account Each of the dependent variables, R and D, fixed capital investment, cash dividend payments (and also advertising, in the Mueller paper), is assumed to be a function of the others and a group of predetermined variables The equations are estimated by simultaneous equation techniques

The multi-dimensional focus is vindicated when Mueller [1967] finds that resources shift into different activities in response to variations in the industrial climate. In recessionary years, for example, the returns on capital investment are lower than normal, and depreciation funds are diverted into R and D, the returns from which are less subject to cyclical fluctuations. Mueller also finds that absolute R and D outlays decrease with firm size, and seeks to explain it away by citing the superior explanatory power of the other variables, like profits, depreciation and a ten-year growth variable, as these are stated to be better indicators of uncertainty and demand pull factors

The paper by Grabowski and Mueller adds another dimension to Mueller's article. They incorporate a managerial and a stockholder maximisation objective in two different models The equilibrium condition in both cases is that the marginal rate of return on each investment activity should be equated to the marginal cost of finance. The differences arise in the set of exogenous variables that are expected to be important For example, the level of cash flow should strongly influence the managerial firm's marginal cost of finance (MCF) schedule, but is irrelevant for the neo-classical firm's investment decisions (the neo-classical variant is used to express stockholder maximisation), where stockholder opportunity cost replaces cash flow in the MCF equation Also, dividends in the neo-classical case are not codetermined with R and D and capital investment

Using data for 66 firms in seven industries over the period 1959-66, Grabowski and Mueller find that, in the managerial model, the most significant of the exogenous factors in the R and D equation are the cash flow terms Analogously, the cost of capital variable is most significant in the stockholder model However, the explanatory power of the stockholder model is much lower (R^2 is 0 025 as opposed to 0 37 in the managerial case) and Grabowski and Mueller come out strongly in favour of the managerial model as a superior theory of motivation

The importance of liquidity is also supported in a time-series study by Grabowski and Baxter [1973] On the other hand, there are a number of studies which point in the opposite direction [3] Scherer [1980] points out that this could be due to the fact that there may be a two-way causation high profits might cause higher R and D spending, but successful R and D could, in turn, lead to higher profits (with a lag) A careful study by Branch [1974] estimated distributed lag functions and found that the effect of R and D output (patents) on profits was more consistent and statistically stronger than the effect of profits on patents.

The work by Branch indicates that there is no a priori reason why different aspects of firms' investment decisions have to be treated simultaneously as done by Mueller and Grabowski and Mueller—there could be a sequential process taking place. The lack of clear-cut evidence leads Kamien and Schwartz [1982] to conclude that the support for the hypothesis that liquidity or profitability are conducive to innovation is slim They do add, however, that this does not

negate their importance, and perhaps liquidity or profitability could be 'threshold' factors, necessary to some extent for R and D, but has no linear relationship with it

d) *Size and Diversification*[4] Diversification is distinct from large size and market power but will very often accompany them In a world of uncertainty with inventions and discoveries in unexpected areas, diversification into many products will positively influence a firm's expected profit from R and D effort Also, the very range of the firm's interests implies an effective cushion against risk, which the less diversified firm does not possess On the whole, there is weak support for this hypothesis One study found that the advantage of diversification for research is confined to a branching out by the firm into technically related products within the same two digit industry group

Armour and Teece [1980] explore another strategic decision of the firm—vertical integration They find a statistically significant and positive relationship between vertical integration (measured by participation in an additional stage of the petroleum industry production process) and basic and applied research for firms in this industry over the period 1954 75 A positive relationship is also found between the diversity variable (the number of activities in which the firm is involved) and basic research although it is not significant Another notable result to emerge from this study is that the R and D expenditure geared to more specific projects is not influenced much by diversification

The part of the Schumpeterian hypothesis tested in the literature on (firm) size has it that the large firm is in a better position to generate technical progress given the demands of modern technology From the available evidence it appears that the advantage of large firm size for R and D exists up to a threshold size which varies from industry to industry This evidence does not reflect informal R and D, which is often the domain of small firms Another point in favour of the small firm is that the sequential character of modern R and D makes it possible for them to play a major role in technological innovations Large firms are responsible for much of the development of these ideas and innovations towards commercial utilisation On the whole, small firms contribute more to technical advance of society than is reflected in R and D expenditure statistics [6]

IV

R and D and Concentration

The causal link that is normally explored goes from concentration to R and D A highly concentrated market structure, it is argued, insulates the dominant firms from competitive pressure and enables them to appropriate the fruits of their innovations Antagonists say the presence of market power with concentration enables the firm to reap profits without necessarily being innovative.

The empirical literature reflects this indeterminancy There is little consensus on the effect of concentration on R and D In most cases, a statistical relationship has not been observed between these variables [Kamien and Schwartz 1975, p 22] Rosenberg [1976] selects firms at two extremes of technological opportunity and finds a tenuous negative relationship between market share (which is correlated with concentration) of the firm and its R and D intensity Shrieves [1978], using a sample of 411 firms in 1965 concludes that the role of concentration appears to be ambiguous when the manufacturing industries are divided into sectors characterised by different product market features Needham [1975] believes that firm size and the implied market share influence R and D independently of any effect of seller concentration so that in order to test whether R and D is independently related to concentration it is necessary to eliminate the aforesaid influence of market share Needham quotes a study by Comanor [1967] which finds that for given levels of firm size higher concentration may be associated with greater research in industries where prospects for product differentiation are limited There is no evidence for this relationship in industries where product differentiation is important

Two recent studies also come out with opposing conclusions reflecting the lack of consensus Using the number of successful innovations as a measure of R and D output Acs and Audretsch [1988] find a negative relationship between this measure and the degree of concentration Kraft [1989] also uses an indicator of R and D output—the percentage of sales that can be attributed to products developed during the last five years A cross section analysis for 57 West German firms in 1979 finds an unambiguously positive relationship between product innovation and the degree of concentration (proxied by the inverse of the number of main competitors in the major markets in which the firm operates)

Farber [1981] points out a variable that is rarely noticed in the extant literature He finds that R and D activity would increase with buyer market concentration when the sellers' market is concentrated, but may decline with buyer concentration when the sellers market is unconcentrated He also found evidence that the effects of seller concentration on R and D intensity might be biased upward due to not controlling for buyer concentration and price cost margins

It appears that the relationship between R and D and concentration is particularly murky One reason is that (as is also true for firm size) concentration is related to many other variables like profits and entry barriers in a simultaneous manner it affects them and is affected by them in turn Thus seller concentration may influence R and D via a number of different channels, and the statistical relationship observed is the net outcome of many different relationships interacting simultaneously with both R and D and concentration R and D and concentration should themselves be treated in a simultaneous framework Another problem is the use of concentration ratios as the relevant concentration concept [Kamien and Schwartz 1975, p 20]

A limited body of research also looks at the reverse causation, viz, the effect of innovation on concentration The most quoted study in this regard is the one by Blair [1972], who, by looking at the effect of technical change on minimum efficient plant size, found that, since World War Two, centralising technologies have been displaced by decentralising technologies, because recent technical advances have tended to permit production with smaller plants A paper by Mansfield [1983] is more circumspect, and cautions against predicting the effect of technological change on concentration unless the nature and sources of new technology are known In a study of the chemical drug, petroleum and steel industries he finds no evidence to support Blair's hypothesis On the other hand, Mukhopadhyay's [1985b] study is supportive of Blair's conclusion although the author makes no mention of the latter's study Using econometric analysis, his paper shows that during 1963 77 concentration ratios decreased in the high R and D industries in the US and he explains this by observing that the net rate of entry was much higher in these industries

Aspects of Rivalry

We have so far looked at R and D in relation to firm size and concentration and the related variables The Schumpeterian hypothesis that pertains to firm size stresses the importance of the supply side factors (resources skills abilities) for R and D, concentration and monopoly power are considered important because they enable the firm to internalise the benefits of their innovation, their presence giving the firm an assurance that they are at least temporarily safe from profit erosion These arguments, however concentrate on one aspect of the Schumpeterian hypothesis and neglect the stimulus factor Schumpeter stressed the paramount importance of potential rivalry in keeping a firm on its toes and hence in engaging in R and D continuously Indices like the concentration ratio which focus on the current market structure are not indicative of potential rivalry[7] (one manifestation of which is rivalry in R and D) One way to incorporate potential rivalry would be to consider the conditions of, and scope for entry into the industry A more complete characterisation would also consider entry into R and D activity

The next two variables that we will consider come closer to this concept than firm size or concentration The 'barriers to entry' variable, even though it is related to concentration, looks beyond it to other factors

like advertising and capital intensities With high barriers to entry, there may not be too many rivals to contend with The 'technological opportunity' variable, conditions the attraction *inter alia* of entering the industry and also of joining the R and D race (Shrieves [1978] expands on this theme as we shall see)

VI

R and D and Technological Opportunity

Technological opportunity may well be the single most important determinant of R and D for it is accepted that the intensity of R and D effort is strongly correlated with the indices of technological opportunity, no matter how the latter is measured It also shapes the environment for other determinants of R and D After differences in technological opportunity are taken into account the correlations between R and D and other explanatory variables tend to become weaker and statistically less significant (Scherer 1980)

Rosenberg [1976] in a cross section study of 100 American firms in 1963 64 finds that high technological opportunity is the strongest and most significant explanatory variable for research intensity in two of three equations Wilson [1977] suggests that there are two relevant dimensions of the technological environment which ought to be considered--the richness of opportunities for product change arising from exogenous advances in science and technology or opportunity and the ease with which physical characteristics of a product can be altered or complexity These are not necessarily independent of one another The presence of rich possibilities for product innovation limits research effort directed towards process innovations and hence also limits licensing (process innovations are more readily licensable) from that source However opportunity for product technical advances often leads to breakthrough product innovations which belong to the most licensable category The hypothesis then is that opportunity influences both product innovation effort and licensing positively while complexity influences product innovation positively but licensing negatively For the complexity dimension Wilson uses the share of a durable goods industry's output sold to the final demand sector on the grounds that durable final goods allow for the most complex configuration options For the opportunity dimension high and low dummy variables represent high and low opportunity industries This classification is admittedly tentative

With firm level data from 350 firms for 1971 Wilson finds the coefficients significant as predicted in the above hypothesis The implication is that licensing may be a relevant variable to consider in the situation of R and D rivalry—licensing of inventions can be used to achieve joint profit maximisation by saving imitative research costs

Shrieves [1978] points out that the crucial differences in the controversy over the relationship between market structure and innovation lie in the respective assumptions regarding the speed and ability of rival imitation While a measure for this 'degree of technical appropriability' is not available, it is likely to be related systematically to technological and product market characteristics Technological characteristics of a firm are represented by an index of the ratios of the number of R and D scientists and engineers employed in various scientific disciplines to total R and D employment figures Product market characteristics are indicated by input output ratios on sales of consumption goods, investment goods materials and sales to government and also a durable goods dummy variable He finds that the rate of imitation of innovations would be greater in the non durable consumer goods and material inputs industries, because technological complexity in them is less and because of the repetitive nature of the demand in these industries In such industries concentration is conducive to innovative activity On the other hand in durable goods the existence of a first mover advantage may dampen the pressure to innovate if the industry is concentrated Shrieves' results are significant because they stress that the technological characteristics of an industry account for a large part of R and D activity and that these may interact in a complex way with concentration to determine R and D levels Scherer [1980] suggests that in high opportunity and rapidly shifting industries, fear of market overcrowding is less likely to deter vigorous innovative effort In low opportunity fields technological pioneering may be realtively unprofitable so that only companies with a substantial organisational slack (like large firms in concentrated industries) may engage in R and D

We have found that consideration of technological opportunities clears up a substantial portion of the ambiguity surrounding the R and D concentration relationship It seems that concentration may have an independent influence on R and D and that this is positive in low opportunity industries In Section X, more recent evidence is presented and this serves to re emphasise the significance of technological opportunity It also brings into question the role of concentration as an independent factor

VII

R and D and Barriers to Entry

Low entry barriers give rise to fear of imitation and erosion of profits, high entry barriers to lethargy What is needed is an optimal combination of both This, it is suggested, occurs when industries have moderate barriers to entry Comanor [1967] depicts these in terms of a four to seven per cent share of industry output by a firm and/or a capital investment of $20 million to $70 million He finds that R and D intensity is positively influenced by moderate entry barriers Rosenberg [1976] defines entry barriers in terms of advertising, capital intensity and returns to scale In a sample of 100 companies from the *Fortune 500 Directory*, he finds that high barriers are conducive to R and D He seeks to explain away the difference between his and Comanor's results as variations in sampling, measurement of barriers and industry definitions He also finds that entry barriers complement the impact of federal government subsidies in encouraging R and D The introduction of entry barriers to the equation he feels, comes at the expense of the technological opportunity variable A more recent study by Farber [1981] finds R and D intensity diminishing in the presence of high financial and technical barriers to entry

Porter [1979] has suggested a different line of enquiry on the subject of entry barriers The structure within an industry he says is an important explanation of variation in profit rates among the firms in an industry Traditionally firms within an industry are assumed to be alike in all economically important dimensions except size It is useful to view an industry as composed of clusters of groups of firms where each group consists of firms following similar strategies in terms of the key decision variables These groups are called strategic groups They are not properly defined industries because they reflect different approaches to operating in the same competitive arena (p 215) These different approaches manifest themselves in marketing methods technologies and scales of activity and the standard sources of entry barriers (economies of scale capital requirements cost advantages and proprietary knowledge) can also vary across strategic groups For example product differentiation barriers will be greater for a more heavily advertised national brand than for a local brand name It follows that there can be a barrier to entry into the industry as well as into strategic groups within the industry This latter barrier exists both for new firms and for firms already in the industry Porter calls these dual function barriers 'mobility barriers

The presence of strategic groups influences inter firm rivalry as well Divergent strategies increase the likelihood of rivalry because the ability of oligopoly to have tacit co ordination is reduced Overall, the structure within an industry consists of its configuration of strategic groups including their mobility barriers, size and composition, strategic distance and market interdependence.

In his empirical investigation, Porter used a simple, *ad hoc* procedure, identifying the relative size of a firm in an industry as a proxy for its strategic group membership He then divided firms in an industry into leader and follower firms Leaders were the biggest firms accounting for 30 per cent of total industry sales, the others were followers. The leader group will, it is expected, include strategic groups whose strategies are geared

toward achieving scale economies vertical integration, a marketing network and so on if these exist in the industry The follower group may include strategic groups following more specialised strategies The distinction between leader and follower should therefore capture at least some of the variance among strategic groups The forecast then is that different structural models will be appropriate to explain average firm profitability in the leader and follower groups This forecast is supported by the findings leader group firms are on the whole more profitable concentration has a positive effect on their profits but has a negative influence on followers profits growth and capital requirements advertising production scale economy and so on also have strongly asymmetrical effects on leader and follower groups

Perhaps these ideas could be fruitfully developed to try and explain R and D behaviour of firms and industries For example we could expect firms in strategic groups with moderate mobility barriers to have high research intensities other things being equal The assumption that we can identify groups within an industry is attractive We can expect inter group rivalry to be important and firms within a group may indulge in tacit or open co operation The definition of strategic groups makes use of many of the variables we may consider to be important in explaining R and D activity (e g diversification vertical integration scale of activity entry barriers and so on) It will not be surprising therefore to find R and D intensities varying across strategic groups even if other things are equal

As Porter discovered the practical problem is to identify different configurations of strategic groups Detailed industry studies would be able to tackle this problem more effectively than cross industry studies based on secondary data

VIII

R and D and Rivalry

Few studies have attempted to come to grips with this issue in practice It is accepted that investments in R and D are especially difficult to co ordinate at joint profit maximising levels [Scherer 1967 Grabowski and Baxter 1973] and so a particularly important form of rivalry is in R and D

Scherer [1967] uses simulation techniques and specific assumptions on parameter values to come to the general conclusion that rivalry stimulates rapid R and D Grabowski and Mueller [1978] suggest that greater concentration in research intensive industries leads to increased intra industry rivalry in R and D—an inference they substantiate empirically

Grabowski and Baxter [1973] have conducted one of the rare studies that looks at competitive interaction in R and D expenditures of firms within an industry Since then, we have also attempted a similar exercise for firms in certain US industries [Kathuria 1982] These studies look at potential rivalry in a more direct and identifiable form than the earlier ones which examined technological opportunity and barriers to entry It also means however, that only potential rivalry from immediate rivals is considered and that the equally important rivalry that could emanate from unknown firms is not incorporated

The premise Grabowski and Baxter start with is that while there will always be some a priori analytical ambiguity associated with competitive interactions in oligopoly we can nevertheless expect an aggressive response to R and D outlays given the structural and psychological climate in which it is undertaken They use a sample of eight firms in the US chemical industry for the period 1947 66 The chemical industry is particularly appropriate since it is highly research intensive and has several large firms undertaking substantive research

The equations were estimated for every firm The dependent variable was change in the firm s R and D expenditure since the preceding year The explanatory variables were (i) one year lagged change in rivals R and D outlay (ii) lagged change in own R and D outlay (iii) change in cash flow (iv) change in market valuation of firm (b) a dummy variable to reflect decline in earnings or sales (the hypothesis being that a depressed investment climate leads to shift of resources into R and D which is not subject to the same sort of cyclical fluctuations as other types of investment (see Section III)

Almost all the coefficients from the eight equations estimated turn out to be of the postulated positive sign the most significant are those for the cash flow variables The coefficient of rival R and D is significant in four of the eight equations and is especially strong in the case of the two largest firms responding to each other s outlays

The fitted equations reveal an interesting result the authors have not fully noticed The only significant coefficient in the equation of the leader firm is the coefficient of rival R and D Moreover this coefficient is larger than in any of the other seven equations On the other hand the dummy variable cash flow and own R and D coefficients are not only statistically insignificant but also smaller than the corresponding figures for the other seven firms in 17 out of the 21 cases (all the exceptions being in the own R and D coefficients column) This seems to lend support to a hypothesis akin to Stackelberg behaviour by the leader and something approaching 'Cournot behaviour' by the smaller firms The leader firm works on the reaction function of the second firm For the former this activity is to be pursued at a priority level which implies that one of its very important goals could be the preservation of its market share by keeping ahead in the R and D race. The Cournot postulate for the other firms is more open to challenge, but the dominance of non-rivalry motives in a majority of the firms offers some evidence to back it up

Using cross section analysis for 29 industries, Grabowski and Baxter also try to prove that concentration increases R and D rivalry They do this by finding the coefficient of variation in research intensity across industries to be inversely related to eight-firm concentration ratio However, they agree that this is only a very tentative conclusion given the many other forces influencing R and D and the more severe econometric problems associated with cross-section data

In a later study [Kathuria 1982] we used firm-level data for four US industries from various issues of *Business Week* [1977 1982] Since time series data was available for five years only we made the assumption that firms within an industry have the same behavioural pattern and accordingly pooled this data The model draws heavily from the work of Grabowski and Baxter [1973] The dependent variable is percentage annual change in R and D outlay the independent variables are also in the form of percentage annual changes

While the most significant and consistent explanatory variable turns out to be current profits there is evidence to support the hypothesis of R and D rivalry (with a one year lag) in three of the four industries, in the fourth industry aerospace potential rivalry from outside the industry seems to be more important in the form of the European Airbus Other than in food and beverages profits are significant at the 99 per cent level for the equations in each of the other three industries (aerospace, semiconductors information processing) One explanation is that the food industry moves along at a sedate pace with growth opportunities limited and research intensity is only 0 6 per cent of sales The other industries are highly research intensive and the technologies are fast changing and the potential rewards for innovation are very substantial Profits may therefore be appearing as a constraint in the R and D activities of firms in these industries and so additional profits will boost R and D These results support the self finance arguments of Kamien and Schwartz [1978]

It is possible as Grabowski and Baxter point out that in an interdependent and uncertain environment competitive response patterns of the type observed may be perfectly compatible with profit maximisation or other objectives indeed it is an example of an adaptively rational decision making approach

IX

Capitalisation of R and D

Grabowski and Mueller [1978] argue that empirical work has ignored the capital investment character of R and D As in the case of fixed capital investment, the effect of investment in R and D lingers beyond the immediate time period in which it is

invested They find that the variance of profit rates computed after incorporating R and D as an R and D stock is reduced Allowing for this more realistic picture of R and D may not alter the nature of the conclusions we reached in this paper But it could make the observed relationships more stable.[9] Some of the immediate possibilities that come to mind are related to the interaction of profits and entry barriers with R and D present profits are influenced partly by an appropriate sequence of lagged R and D expenditures (profits in turn influence R and D investment) current entry barriers created by R and D are the result of a lagged series of past and present R and D expenditures A related theme is concerned with firms reacting to an appropriately lagged R and D expenditure of the leader firm rather than just to a one period lagged R and D as in Grabowski and Baxter [1973]

New Evidence on Schumpeterian Hypotheses

Recent theoretical developments have looked beyond unidirectional causation, and have attempted to model the inherent simultaneity between market structure and innovation Innovation generates transient market power which in turn is eroded by rival innovation and imitation (in the spirit of Schumpeter's creative destruction) For a review of this literature see Kamien and Schwartz [1982], Kathuria [1982] and Dasgupta [1986] Also see Nelson and Winter [1982] for a very interesting simulation approach This simultaneity implies that market structure and innovation must be jointly determined by more basic factors demand conditions technological opportunities, nature of capital markets, and technological and institutional conditions governing appropriability So far, however, most of the empirical studies that are reviewed in the following pages have not analysed innovation and market structure in a simultaneous framework but the majority of them do analyse the role of basic variables

One study that has treated concentration and R and D intensity (and also advertising intensity) as being jointly determined by the profit-maximising actions of individual firms is the one by Levin and Reiss [1984] They use 'at best crude proxies' for technological opportunity and appropriability—five industry dummies share of basic research in total R and D age of the industry, government funded R and D, share of R and D devoted to new products and share of process R and D that is borrowed rather than generated internally Using data for 20 industries for three years, they find that

> on the whole the findings support the Schumpeterian view that R and D investment and market structure are appropriately regarded as jointly determined outcomes of the competitive process The private R and D equation performs especially well yielding results that are quite robust and yet sufficiently precise to reject decisively the hypotheses that opportunity and appropriability conditions do not matter [Levin and Reiss 1984, pp 201 02]

They find a strong positive effect of R and D on industry concentration and a negative effect of concentration on R and D intensity which becomes positive for industries having higher product as opposed to process R and D

The R and D equation performs relatively better than the one for concentration which could be explained by the dynamics of the situation [see Tandon 1984] The effect of technological change on concentration is likley to be a long term effect one not easily captured in the Levin and Reiss data which spans only ten years On the other hand the reverse causation is more likely to be a short term one

Pakes and Schankerman [1984] develop a model that integrates what they call 'three competing explanations' of R and D activity—expected market size, conditions of appropriability for innovation, and technological opportunities They use data for 433 large firms in 1963, and perform regressions separately for four broad industry groups Data limitations and model specification require them to specify opportunity and appropriability as unobservable factors in a way that allows assessment of their joint effect on R and D intensity They find that the observed variation of R and D intensity of firms within an industry can be explained primarily by inter firm differences in appropriability and technological opportunities and not by growth rates of the firms After aggregating the firm-level figures to the industry level, it is found that inter industry variations in R and D intensity are primarily accounted for by industry growth rates These findings have been interpreted to mean that industry differences in technological and market opportunities predominate in the firm's decisions In other words industry level factors are more important than the firm s own history and specific abilities in explaining R and D intensity at the firm level

Bound et al [1984] have, according to Cohen et al [1987], used a larger and more comprehensive sample of Amercian firms than any earlier study of the R and D size relationship at the firm level Using a sample of 2595 firms, they came to the conclusion that both very large and very small firms are more R and D intensive than average-size firms, which is contrary to the consensus that R and D intensity increases up to a threshold size (see Section III) Although this study is not in the mould of the others reviewed in this section, we have included it here because of its comprehensive approach It does in fact attempt to take industry-specific effects into account by putting in 21 industry dummies, although these are admittedly poor substitutes for the kind of appropriability and opportunity variables developed by Richard Levin and his colleagues

All the studies reviewed so far in this essay have employed somewhat crude proxies for the opportunity and appropriability variables, because they cannot, for example, distinguish adequately between differences in ease of imitation and strength of patent protection In an effort to capture the effect of these factors more accurately, Richard Levin et al [1985] have collected primary data on appropriability and opportunity from a survey of executives in 130 industries The variables used to represent technological opportunity were closeness to science, external sources of technical knowledge, and industry maturity For appropriability, the effectiveness of various mechanisms (patents, secrecy lead time, and so on) was characterised on a seven-point scale. The survey data was used to explain differences in the Federal Trade Commission data on industry-level R and D intensity The authors find that when the survey variables are included in their equations, the regression coefficients for 'concentration' fall by an order of magnitude and become statistically insignificant and the appropriability and opportunity variables were jointly significant. This is true for the R and D input as well as output equation However, the appropriability variables were not individually significant in the R and D input equation

In a more recent paper that uses the same data base, Cohen et al [1987] explore the firm size-related implications of Schumpeter's hypotheses They criticise previous literature for ignoring the multiproduct character of firms They distinguish between size of the business unit (operating in a particular product line) and size of the firm After removing outliers from the data, and controlling for inter-industry differences in the R and D environment (using appropriability, opportunity, demand and concentration variables), Cohen et al find no relationship between firm size and research intensity Business unit size did affect significantly the probability of doing R and D, but it did not influence R and D performed within the group of R and D performers Also, the magnitude of the size effects (either business or firm size) is always minute, explaining less than 1 per cent of the variance in R and D intensity, whereas industry characteristics explained half the variance.

Another study that has employed primary data is the one by Pavitt et al [1987] They have made use of the extensive Science Policy Research Unit Survey of 4378 innovations in the UK since 1945 They have attempted to not only analyse the influence of firm size on innovation, but also that of innovation on firm size and performance. From the 1950s to the 1980s, small (500-1000 employees) and large (more than 10,000 employees) firms had above average innova-

tion intensity (defined as share in innovation to share in employment) while medium-sized firms (2000-9999 employees) had below average intensity Moreover, over the four decades, the very small firms (1-499) employees saw an increase and the medium-sized firms a decline in their innovation intensities The authors posit, supporting Bound et al [1984], that the relationship between firm size and innovative activity (R and D/sales or innovation/sales) is U-shaped rather than r-shaped (declining after a point), and growing increasingly so over time. They also find that

> technological opportunities that result in large firms have less to do with the requirements of scale in production, than with the possibilities for R and D-based diversification into related product markets

Inter-sectoral differences in technological behaviour are also analysed More details on sectoral patterns will be found in two papers by Pavitt [1984] and Robson et al [1988], and which point to the pitfalls of attempting generalisations in the conceptualisation of technological change.

The difference between these and earlier approaches[10] is that there is now an attempt at a more comprehensive approach toward understanding the basic determinants of R and D and innovation Although nothing conclusive has been proved so far, the new approach and evidence cast some doubt on the received empirical wisdom that has been surveyed earlier in this paper Thus, for example, whether and to what extent market structure has an independent influence on innovation is now (more) inconclusive.

XI

The Developing Country Picture

The theoretical literature on TC relates mainly to developed countries Empirically, however, development economists have taken much interest in the process of TC in the third world, particularly in the last decade,[11] although the approach has been somewhat different from the previously reviewed literature.

The developed country empirical literature has focused on the analysis of R and D expenditure by companies, partly because data on R and D output tends to be incomplete. In reality, however, TC emanates not only from formal R and D expenditure, but arises from other divisions of a company such as production plants, tool and die-making plants, ancillary development, marketing, etc. This kind of TC, which includes the 'learning-by-doing' variety is almost always of an incremental as opposed to breakthrough, nature. Most of the DC literature has tended to ignore the very significant role that incremental TC has played in overall technical advance.

In developing countries, incremental innovations are even more important than in the developed world Most manufacturing enterprises do not have the capability to produce frontier technologies. They usually start off by implementing technology borrowed from abroad A major part of their TC efforts are determined by the need to use different raw materials, scale down plant size, diversify product mix, adapt product design, use simpler and lower capacity machinery, etc This is because conditions in developing countries tend to be very different—markets are usually smaller, functional characteristics of a product are more important than aesthetics, there are local-use regulations, etc.[12] Moreover, there is always incomplete information in any technology transfer, so that every firm will develop a unique or 'idiosyncratic' production function This description makes it apparent that non-R and D departments of developing country firms are likely to be equally involved in the TC process

In order to capture this reality, development economists have tended to focus on description and analysis of TC of individual firms and industries, relying heavily on qualitative evidence. The trade-off has been the non generalisability of the findings but rich insights have nevertheless been generated

All this is as true for India as for the other industrialising countries that have been studied While the evidence for India is diffused in terms of coverage of issues and industries, a pervasive theme is the influence of government policy on R and D, both directly as well as indirectly via its effect on market structure.

Our survey includes studies that have looked not only at own R and D but also at imported technology as a source of TC, since the latter is very important in developing countries

XII

Econometric Analysis of R and D in India

Subrahmanian [1971a] finds no evidence for the Indian chemical industry to suggest a positive relationship between R and D intensity and firm size, or between R and D intensity and relative firm size (used to indicate market power) This is therefore contrary to the finding that in the international chemical industry, research intensity increases with firm size (see Section III) The deficiency in the analysis is that no factors other than firm size are considered In a subsequent article on the same data set (although a reduced one), Subrahmanian [1971b] does consider other variables such as profits, retained earnings, depreciation, gross investment and lagged R and D expenditure. He then finds that absolute R and D expenditure is positively related to size, as also to depreciation and lagged R and D However, we are given no estimates of the elasticities, and it cannot therefore be established as to whether R and D increases more than proportionately with firm size.[13]

In another econometric analysis of R and D activity in 100 engineering firms, Lall [1983] found that R and D intensity is positively influenced by size, age and technical absorptive capacity (proxied by percentage of total wages and salaries paid to employees earning more than Rs 3000 per month) of the firms Unlike in DCs, Indian engineering firms have not reached a threshold size and this, Lall suggests, explains the positive relationship of size and R and D [14]

Yet another cross-section study, this time at the industry level, was done by Katrak [1985] He finds the elasticity of R and D expenditure with respect to sales to be less than unity, which is contrary to Lall's result above. However, there could be a number of reasons for this Katrak's sample is a mix of different industries, unlike Lall's We have seen that technological opportunity could be a decisive influence on R and D, and Katrak has not taken account of this[15] Secondly, Katrak's data relates to industries and not to firms, and this, as he himself acknowledges, could affect the results. Finally, Lall's data is more detailed and permits testing for a much larger number of variables

Katrak has attempted to resolve some of these problems in a later paper [16] Firm-level data was collected for 51 enterprises, and published data for another 300 firms was used As in the earlier paper, larger enterprises were found to spend proportionately less on R and D, both for technology importing and non-importing firms as a whole as well as for technology importers only Katrak classified his sample firms as belonging to either 'low technology' or 'high-technology' sectors, but this still permits a large degree of heterogeneity within each of the two categories[17] and does not resolve the problem of different degrees of technical opportunity

Siddharthan's [1988] paper comes up with conclusions different from both Katrak and Lall He uses published data for 166 manufacturing firms for the year 1983-84, and finds a U-shaped relationship between R and D intensity and sales turnover, with the turning point occurring at a sales level of Rs 600 million A similar relationship is also observed when separate regressions are performed for electronics, machinery and textile firms However, for chemical firms, he finds a negative relationship between R and D intensity and size since the quadratic term is not significant

In a more comprehensive coverage of Indian industrial R and D, Kumar [1987] analyses 1143 companies in 43 manufacturing industries, based on RBI data He explores the other Schumpeterian hypothesis, viz, the role of market structure, using a four-firm concentration ratio. The company-level data has been aggregated to the industry level by adding up He controls for technological opportunity by introducing variables such as capital intensity and skill intensity, employs dummies for engineering, chemical, consumer and consumer conve-

sumence goods, and also brings in advertising intensity (advertising expenditure to sales ratio) Kumar finds that R and D intensity is negatively related to concentration which could occur because in India concentration often arises on account of government policy which protects firms from both domestic as well as import competition In addition Kumar also finds a negative relationship between R and D intensity and direct foreign investment in Indian firms but a positive relationship with licensed use of technology

This strand of the technology literature of India, following in the mould of its DC counterpart suffers from the same limitations as the latter but to an even greater degree, partly because of data limitations In addition, many of the Indian studies have used industry rather than firm level data which tends to wash out the effect of firm level variables such as size technical capacity, age and so on

XIII

Case Study and Other Approaches

A pioneering study on industrial change in India from 1937 55 by George Rosen [1958] documents *inter alia* TC in cotton textiles cement paper iron and steel and sugar Rosen considers TC in terms of the introduction of new machinery In cotton textiles, Rosen concludes that competitive pressures in the domestic market and for competing in international markets were forcing the introduction of both labour saving as well as quality improving and output widening machinery These pressures were reinforced by the old vintage of machinery and the wage movements in the industry Institutional constraints on expansion and a ban on certain types of machinery also played a part Rosen finds that investment in new machinery is much more in firms with investible reserves and this was widening the gap between the efficient and inefficient firms Industries other than cotton textiles were all expanding ones and were able to introduce labour saving machinery by absorbing the displaced labour force

The general influences on the introduction of labour saving machinery are identified by Rosen to be the need to import machinery from abroad, which was labour saving, the availability of reserves within firms, government policies which raised the relative cost of labour to capital, and the competitive market situation which meant that firms which did not introduce such machinery were left progressively behind

Another form of TC that can be considered is the import of technology An NCAER [1971] study shows that of the number of technology collaborations by Indian firms up to 1967, two-thirds had been made by firms with sales of less than Rs 50 million, i e, firms that were small or medium even by Indian standards (this of course does not mean that collaborations per firm are higher for small firms) Moreover, it found that the import content of technology decreased with the size of the firm because larger firms have the ability to complement parts of the technology package with their inhouse R and D capability On the basis that licensed technology is superior to other production know how (the former involves more comprehensive involvement by the seller and bears higher royalties), the study shows that larger firms which obtain a higher proportion of licences than other production know how, receive and exploit better quality technology than smaller firms This was also confirmed by interviews conducted by the study team The success rate of technology agreements was found to be unrelated to the size of firm, but positively related to the number of earlier collaboration proposals, thus exhibiting a learning sequence through import of technology

The NCAER study which is based partly on questionnaires and interviews, states that firms that did substantial R and D emphasised the relative (to imported technology) cost and time factors *Ceteris paribus* the slower the growth of the domestic market and the less the chance of another firm entering into it earlier, the more ready were firms to undertake R and D Thus if the market was growing faster, firms may prefer the import route to TC in order to cash in quickly on the buoyant situation [18]

The tractor industry in India has attracted a good deal of attention because of the successful development of a totally indigenous tractor by Punjab Tractors (PTL) An analysis of PTL's story has been made, among others by Laroia [1988] and Morehouse [1980], and makes very interesting reading However, for the purpose of this survey what is relevant is the conclusion that when the tractor industry was suddenly faced with competitive forces there was a qualitative shift in their attitude towards R and D [19] In this competitive situation, the technological strength of PTL was a positive factor in its success in tractors, and other companies were also induced to improve their engines and bring out new models [20] When the initially designed PTL tractors (25 hp) proved to be uncompetitive in the market in 1973 owing to the presence of more powerful but only slightly more expensive tractors, PTL designed and produced a 35 hp tractor Subsequently, it designed and manufactured a small tractor (20 hp) at a significantly lower price than available in the market [21] Also, by the seventies, price competition had become very important in tractors, and those firms who had made suitable changes in their production technology, mainly towards designing low-cost machine tools, did relatively better [22]

Textiles is another sector on which much research has been done. The organised cotton textile industry has operated under a severely constraining government policy, probably more so than for any other sector This meant that the unorganised sector, particularly powerlooms, has been able to increase its share of total cloth production over time. According to Desai [1983], the weaving mills, whose capacity had been virtually frozen in order to protect the unorganised sector, responded to the competition from powerlooms by (a) increasing the capacity utilisation of looms by increasing third shift operation (b) weaving stronger and more durable cloth by increasing the number of picks per metre of cloth, and (c) processing (pre-shrinking, dyeing, printing) more of their own cloth Firms which lagged behind in making these improvements and increasing product differentiation were driven into bankruptcy, and 112 were nationalised and put under the National Textile Corporation Chandrashekhar's [1984] analysis goes a step further He divides the mill weaving sector into two sub-sectors (i) an oligopolistic segment with a limited number of firms catering to the sophisticated fabric market where product differentiation is the main form of rivalry and quality is at a premium Competition between firms here necessitates a high rate of investment and TC, and their oligopolistic positions and growing market size allow the firms to do this and yet earn high profit margins, (ii) a non-oligopolistic segment involving the large majority of firms in the weaving sector, catering to less sophisticated and cheaper varieties of fabrics The pace of TC is very slow because profit margins are limited and the market is stagnant or growing slowly It is this segment that has been steadily losing ground to the decentralised sector

Overall, there is a clear division between the efficient modern sector and the rest of the textile producers, and this has persisted over time at least partly because of government policy The net result is that an industry which should have been at the forefront in international terms is now considered to be amongst the relatively backward even within India

The automobile industry is another which is seen to have been constrained by government policies which treated it (particularly the passenger car segment) as a non-priority sector A study by Gumaste [1988] finds little evidence of a relationship between the degree of competition (measured by an 'H' index)[23] and R and D intensity Besides the fact that the index of competition used is incorrect, the paper does not mention the year for which the index is calculated The deductions drawn are based on a cross-section picture of six sub-segments (scooters, mopeds, motorcycles, cars, heavy and light commercial vehicles), and the figures do not permit any conclusive inferences A more fruitful procedure would have been to correlate the concentration ratios and R and D intensity in each sub-segment over time. In fact, a detailed study on commercial vehicles shows that the pace of introduction of new and improved products has increased significantly as the environment has become more competitive after 1983 [24]

Detailed micro studies such as the one by Mascarenhas [1982] bring out the complexity of factors involved in the technological

development of a company Although Hindustan Machine Tools (HMT) has developed broad-based and impressive technological capabilities, its process technology has lagged behind Initial technological capability in HMT came about because of the necessity to import substitute. But R and D came in to its own only during the recessionary period of 1966, and was accompanied by aggressive marketing and a programme of diversification The quality of HMT's top leaderships has been constantly emphasised as a positive factor in its development However, both in Mascarenhas' study as well as in the HMT case study in Lall [1987], the influence (or lack of it) of other firms operating in the industry has not been adequately addressed [25]

Another study of a public sector organisation is provided by Sengupta [1984] Sen gupta points to the slow pace of change in the technologies employed in the public sector steel plants, resulting in only a marginal decline in the specific energy consumption per tonne of saleable steel He cites as reasons the non professional attitude of government and the system of accountability in the public sector as well as political factors But this is not the whole story There are also other issues such as the incentive to maximise production rather than productivity, which had an adverse effect on the nature of R and D undertaken Moreover the protection of the market coupled with the cost plus pricing strategy has meant that all kinds of inefficiencies have been protected had have " removed the elements of compulsion to innovate for higher productivity" (p 211) However although it may well be true, this last inference is more in the nature of an assertion since it has not been substantiated Working in the same protected environment, TISCO's technical performance has always been superior, despite very much older equipment than SAIL [26] The difference lies not only in the fact that TISCO is a private organisation and suffers from far less political and bureaucratic interference, but also that ' technological effort is given a scope and freedom in TISCO which seems to be absent in SAIL" [27]

Bhagwati and Srinivasan [1975, chapter 15] provide a guarded assessment of the influence of what they call the QR (quantitative restriction) regime. They quote from in-depth studies by Frankena in support of the hypothesis that the QR regime produced incentives for a lag in adaptation to more efficient designs that clearly dominated the ones in use in India [28] Examples are electric motors, distribution transformers and cotton textile machinery, where the productivity of the alternative technology was clearly superior However, they caution that while strongly suggestive, these results cannot be taken as conclusive proof of their hypothesis since it may be that the costs of buying or copying the superior technologies may be greater than the gains from their adoption They also say that an export-oriented strategy does not by itself increase the incentive to do R and D, but " we can still argue that the general incentives to reduce costs and to maintain quality cannot but have been reduced by the sheltered markets provided by policies of automatic protection and strict control over domestic entry" [29] These conclusions were borne out later by Sanjaya Lall's work on leading Indian enterprises, as we shall see

One of the key studies for our survey is the one by Ashok Desai [1984], which analyses the relationship between market structure and TC on the basis of statistical correlations as well as a series of case studies of different industries He calculates Herfindahl indices of concentration for 42 industries based on CMIE[30] data for 1978 79 as also an E index of inequality [31] In most industries outside the vehicle sector the H indices are low the size distribution is highly skewed and the number of firms are large (long tailed) Where the number of firms was less than ten the H index was above average whereas the E index was below average implying that the size distribution of firms was less skewed in oligopolistic industries (short tailed) Desai finds that in most of his short tailed industries such as explosives mining machinery metallurgical machinery cement machinery generators and commercial vehicles the proportion of the sales of firms doing R and D to total sales of industry was high By contrast the proportion of firms doing R and D was lower and highly variable in long tailed industries Amongst firms that imported technology those doing R and D were larger than those that were not doing R and D particularly in industries with greater product differentiation Desai also found that firms importing technology were larger than those that did not perhaps because technology suppliers prefer buyers who can command a large market However the market share of firms who obtained technology without importing it and without doing R and D was high Desai concludes that

whilst technology imports on their own tend to create oligopolistic market structures R and D reinforced the competitive advantage of large firms But the leakage of technology within the country had led to the emergence of many small firms and they had appreciably increased their market shares in many differentiated large group industries "

Sanjaya Lall s [1987] study analyses the process of acquisition of technological capability in 19 Indian enterprises[33] in detail Besides looking at the influence of firm specific factors, Lall highlights the role of government policy in the acquisition of different kinds of technological capability (project execution, product engineering, process engineering, industrial engineering and technology transfer) One of the important issues to which his study draws attention is the nature of the technological skills acquired by Indian enterprises amidst a protected environment Under the existing regime, the leading Indian manufacturing enterprises have acquired diverse and deep technological capabilities for designing and manufacturing capital goods, selecting and implementing foreign technologies, adapting and improving upon these over time, setting up supplier networks, transferring technology in the form of licensing turnkey plants, joint ventures and technical assistance. However, the study feels that some of the capabilities were put to wasteful use, such as the need to adapt to the often inferior raw materials produced domestically, the regime (licensing, restriction of foreign competition, protection of public sector and small-scale industry, etc,) also detracted from engineering and managerial efforts to implement even existing knowledge fully, and from efforts to constantly upgrade technologies in line with international standards "There seems little doubt that a much greater inflow of foreign product technology, in a more liberal and outward-looking policy framework *would have reaped a much richer industrial harvest from the same set of capabilities* " [34]

That India has developed technological capabilities that have been under-exploited at home could be a possible inference from the fact that of the newly industrialising countries it is a much better exporter of technology than of products [35] While product exports were frustrated by constraints on firms by reliance on high cost inputs and general bureaucratic impediments, technology exports did not suffer from these. In fact Rajiv Lall's [1986] study concludes that one of the most important motivations for foreign direct investment (one form of technology export) by Indian firms was the desire to avoid the effects of government policies that restricted their domestic growth and undermined their export competitive-

Let us consider the market structure for R and D activities The government has sought to promote technology directly with the aid of science and technology policies, such as fiscal concessions for in-house R and D licensing of all foreign collaboration agreements alongwith restrictions on payments and terms of the contract and a Foreign Exchange Regulation Act to control direct foreign investment The ICRIER-NCAER technology project and also Sanjaya Lall's work[37] suggest that these policies have restricted the supply of technology to India, particularly if we consider the possibility that foreign firms would supply a technology package commensurate with the terms offered by India In some cases, the policies may have helped Indian firms to bargain for better prices [38] However, it appears that the overall impact of technology import policies may have been limited because most Indian firms in any case do not demand the complete know-why of a technology (that would enable them to improve and even generate new technology, on account of lack of market pressure.[39]

XIV

Sum-up of Indian Literature

To sum up the discussion on India, it was seen that there are two strands in the literature. One follows the econometric approach characteristic of writings on developed countries, but suffers from paucity of data as well as lack of attention to a large number of variables that can affect R and D behaviour Besides, only a handful of studies have adopted this approach and the results are not uniform The only study among these (using industry level data) which attempts to test for the influence of market structure finds a negative relationship between R and D intensity and concentration Overall it would be fair to say that the econometric approach to Schumpeterian analysis of R and D has not yet come of age in India

It is not as if the case study approach has been able to offer firm conclusions Indeed an inherent limitation is the inability to generalise from it But its merit lies in its attempt to unravel the complexity of factors that lie behind technological behaviour including basic determinants such as demand the institutional structure government policy, etc. In a highly interventionist economy like India's, government policy can play a key role in influencing R and D activity, and only case studies can capture the nuances and often contradictory effects of different policies

There is a considerable amount of case study literature on technological change in India, both published and unpublished Given the focus of this survey we have included only those studies which have a bearing on Schumpeterian hypotheses relating to firm size and market structure There is no definitive conclusion with respect to the impact of firm size on R and D intensity or on the quantum of technology imports However, there does appear to be a minimum scale for doing R and D for importing technology The import content of technology collaborations decreases with the size of the firm, and larger firms also obtain a greater proportion of licences than other production know-how[40] All this has led to the conclusion that as compared to small firms, large firms can exploit the results of R and D and of imported technology more fully On the other hand, success of technology agreements was found to be unrelated to the size of the firm

All the studies reviewed have pointed to the favourable impact of an intensification of competitive forces on technological activity In some cases, such as machine tools in the 1960s and automobiles in the 1980s, the pressure was generated at least partly by the environment itself on account of recession on demand falling short of planned output In tractors, Indian industry had become sufficiently mature by the seventies, and competition between the existing firms became more severe. By and large, however, it is government policy that has shaped the extent and nature of competition through licensing, import controls, etc. Amongst the sectors reviewed here, textiles and steel have been particularly subject to government controls, and these are seen to have perpetuated dualism in the case of textiles and created a lack of compulsion to innovate for higher productivity in the case of steel

Desai's work has substantiated the role of competitive forces through a detailed statistical analysis He finds that competitive pressure is greatest and technology search more active when there are a small number (between two and six) of roughly comparable size firms in an industry, which is supportive of the notion of a threshold environment as the most favourable for TC According to this market structures with either one firm or a large number of firms of different sizes will not be conducive to technical progress

The protection given to domestic R and D activity and to the manufacturing sector has induced a high degree of technological capability However after a series of case studies S Lall has concluded that these capabilities have not been fully exploited because of the lack of compulsive competitive pressure and because of bureaucratic requirements and restrictions Not only this but much of the technological effort has been directed at complying with local use regulations rather than focused on improvement of productivity The case study approach has therefore been able to address some fundamental questions regarding the basic determinants of technological activity However, most of the conclusions that have been reached are somewhat tentative, and the more careful studies have emphasised this point While more research is certainly required, it would help if future studies paid more attention to the need for giving firmer evidence (either qualitative or quantitative) to back up the arguments posed This appears to be a lacuna in much of the case study literature

XV

Conclusions

The objective of this paper has been to provide a survey of the empirical literature on the Schumpeterian hypotheses relating R and D and innovation to firm size as well as market structure This has been done for literature on developed countries and also on India As far as the former is concerned, it was pointed out that the empirical studies had by and large failed to take into account Schumpeter's insights regarding rivalry and potential rivalry Most of them have looked at the relationship between innovation, on the one hand, and firm size and concentration, on the other The focus is thus on the role of present market structure variables. A few studies, however, have gone beyond this the barriers to entry variable examines the possibilities of rivals entering the industry, the technological opportunity variable, while influencing entry conditions into the industry, also influences the rivals' entry decisions into research activity One or two studies have even looked at direct rivalry in R and D activity, but this has excluded the possibility that future competition could emanate from firms not currently in the same industry One possibility for future research is to take notice not only of research of rivals in the same industry, but also of those in technologically similar industries (e g, passenger cars and commercial vehicles)

In the Schumpeterian schema, short-term efficiency gains must be subordinated to long term dynamic ones achieved via innovation The real question concerns the kind of situation in which dynamic gains are at a maximum, for it is now accepted that some degree of trade-off will be required In the 'traditional' empirical literature, the consensus is that there is a threshold concept of the most favourable environment for technological change Large size and significant market power improve prospects for technical progress only up to a point, and only for innovations requiring a large and formal R and D programme (i e, normally at the stage where innovations are being developed for commercial use) Moderate to low entry barriers in such a situation will impart the necessary impetus to the bigger firms Dominant firms on finding their market position threatened, are likely to react most vigorously The role of technological opportunity is extremely important in conditioning the relationships between R and D and the usual explanatory variables In high opportunity industries, for example, the importance of monopolistic elements is much reduced

New evidence on the Schumpeterian hypotheses has, however, cast a shadow on the received wisdom In the true spirit of Schumpeter, both market structure and innovation must themselves be treated as being jointly determined by basic factors such as demand, technological opportunity and institutional structure. The results of the studies reviewed under 'new evidence' is at the moment tentative, but already an independent influence of market structure and firm size on innovation is now open to some doubt For the same reasons, rivalry and potential rivalry may also not be an independent factor Our criticism of the traditional literature for neglecting rivalry may thus turn out to be inapplicable to this new body of literature

Literature on India that has implicitly or explicitly tested the Schumpeterian hypotheses can be divided into two streams. One approach has followed that of the traditional developed country literature, but generally suffers from a paucity of data and/or a lack of rigour The other approach has a micro focus, and is based on case studies of firms and industries. In spirit, this approach is closer than the traditional developed country

literature to the more recent Schumpeterian approaches[41] since an attempt is made to analyse the role of basic determinants of technological change. Thus, the case studies on India have looked at the influence on technological change of government policy, demand conditions, the institutional structure, market structure, and also at the reverse influence of technology on market structure. Even the nature of technological change has been discussed and the influence on this of government policy and market structure been analysed

The case studies point to the positive impact on R and D of intensification of competitive pressure. This is because Indian industry has been by and large highly protected, which means that although appropriating rewards from R and D was not difficult, there was no pressure to undertake technological change. By and large, government policy has been the key determinant of the degree of competitive pressure and therefore of the nature and extent of technological change. Many Indian firms appear to have accumulated in-depth technological capabilities as a result of the protective government policy, but these capabilities have remained under exploited and the technological effort has often been directed at complying with local use regulations rather than aimed at overall improvement of productivity

Both the literature on India as well as on other developing countries[42] is contributing to a growing bod of micro economic evidence that is helping to gain a better understanding of the determinants of technological change Even on a theoretical plane, the literature has tended to move from a macro to a micro approach Moreover " the micro-economic description of technological behaviour is becoming both more realistic and complex In a very particular sense we can say that we have now entered a pre-theoretical stage in which researchers are trying to develop new heuristics describing innovative behaviour before attempting further generalisations and model-building efforts"[43]

If an acceptable theory of technological change is developed some day in the future the insights offered by the literature on developing country technological change will undoubtedly play a major part

Notes

[The first part of this essay is a revised and updated version of Chapter One of my MPhil thesis submitted to the University of Oxford in April 1982 I am grateful to Vandana Verma for her suggestions]

1 For an amplification of this point see Dasgupta (1986) Also see Reinganum (1984), where she points to the fact that different theoretical models of R and D have conflicting implications
2 See also Kohn and Scott (1982) and Mukhopadhyay (1985a)
3 See Kamien and Schwartz (1975) and Scherer (1980)
4 In Section X, we shall see that Cohen et al (1987) criticise the literature for neglecting the distinction between firm size and business unit size
5 See Kamien and Schwartz (1982) pp 98 100
6 For example, US corporations with more than 5000 employees accounted for 53 per cent of manufacturing employment and 89 per cent of formal R and D expenditure in 1972 but if we consider in terms of R and D output a very similar sample of firms accounting for 57 per cent of total sales received only 56 per cent of the patents issued in 1959 (Scherer 1980 p 418)
7 One study (Grabowski and Mueller 1978) however finds that higher concentration does increase rivalry in R and D within research intensive industries
8 The relevant rival was selected by best fit as either the industry leader in terms of volume of R and D expenditure, or the firm immediately preceding the firm in question in the R and D ranking
9 This conclusion is supported in Terlecky (1980) who found that when R and D is treated as capital more stable effects are obtained
10 It is not as if the role of technological opportunity was neglected in all the earlier works (see Section VI)
11 See, for example, Fransman (1985) Kathuria (1987) and the book edited by Katz (1987)
12 See the article by Katz (1987)
13 If we use the earlier data set in Subrahmanian (1971a) and compute the elasticity of R and D with respect to sales it turns out to be greater than one If correct this would contradict Subrahmanian's (1971a) conclusion
14 We have seen in Section III that after a certain threshold size, research intensity appears to stay constant or declines
15 He does employ a variable (skill intensity) of technological complexity, using UK industry data However this is an inadequate indicator of technological opportunity and the variable was found to be insignificant and was dropped from the regressions
16 Katrak (1986)
17 For example, chemicals petroleum and products machinery and transport equipment are all within the high technology group
18 See Chapter IV of the NCAER (1971) study
19 Chaudhuri and Moulik (1986) p M 16
20 Desai (1984)
21 Morehouse (1980)
22 Desai (1984) Chaudhuri and Moulik (1986)
23 He defines the 'H index as $n\sigma^2$ where n is the number of firms and σ^2 is the variance of the size distribution of firms However this is an inaccurate indicator of the degree of competition, since, if all the firms are of the same size, H = 0 This would be true irrespective of the number of firms The correct H (Herfindahl) indicator is $(n\sigma^2) + (1/n)$ (see Hay and Morris (1979) p 105) Now if all the firms are of equal size $H = 1/n$
24 See Kathuria and Verma (1988)
25 Mehta's (1988) study brings out the fact that HMT competes with almost every firm in the organised sector, although it adds that HMT acts as a kind of pace setter Competition has increased since the late 1970s
26 Lall (1987), p 93
27 Lall (1987), p 100
28 Bhagwati and Srinivasan (1975), pp 214-17.
29 Bhagwati and Srinivasan (1975), p 226,
30 Centre for Monitoring Indian Economy. For R and D figures, Desai uses DST data, supplemented by ICRIER-NCAER survey data and from a few industry associations.
31 The E' index is given by σ/m, where σ is the standard deviation and m is the mean size of firms
32 Desai (1988) p 7
33 4 in cement, 4 in iron and steel, 5 in textiles and the rest in different industries.
34 Lall (1987) p 213
35 Lall (1987) pp 216 17
36 Rajiv Lall (1986), p 89
37 See the book edited by Desai (1988), which forms part of the ICRIER-NCAER project. Sanjaya Lall's work has already been referred to earlier
38 See Alam (1988), and Subrahmanian (1986).
39 See Alam (1988) We have already seen that restrictions on technology imports (along with import restrictions on goods and barriers to domestic competition) have induced a deep and diverse R and D capability.
40 It should be noted that no smooth or monotonic relationship has been established Rather the finding relates to large firms *vis a vis* small firms
41 Both the more recent kind of developed country literature as well as the case-study approach have been labelled as 'neo-Schumpeterian by Fransman (1985) See Dosi (1988) for a survey of this neo-Schumpeterian literature for developed countries
42 See for example, the book edited by Katz (1987) and the survey by Fransman (1985)
43 Katz (1987) p 23

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Remember

THE DATE FOR FILING YOUR TAX RETURN

1 Where the accounts of the assessee are required to be audited under law or it is a case of Co-operative Society — By 31st Oct 89

2 Where the total income includes any income from business or profession but the case does not fall in category (i) above — By 31st Aug 89

3

Why wait till last date FILE THEM RIGHT AWAY AND RELAX

4 Use the appropriate Return Form as applicable in your case and fill it after carefully following the instructions

For Help and Guidance —

Contact the Public Relations Officer or Your Assessing Officer

INCOME TAX DEPARTMENT
Directorate of Income-tax (RSP&PR)
New Delhi

davp 89/535

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From the statement of the Chairman Mr N M Wagle

Glindia

Fair Returns Essential To Encourage Investments In Quality

The new drug policy announced in 1987 has given much needed respite to the pharmaceutical industry and I am encouraged by our pharmaceutical business showing signs of recovery during the last two years Unfortunately the fruits of liberalisation in Government policy have come very late and these are even now being offered only in small dribbles and after much delay

The national goal of Health for all by 2000 A D is only a decade away and the task ahead is a formidable one Annual demand for pharmaceuticals at the turn of the century is estimated to be between Rs 14 000 to Rs 16 000 crores a figure which is 4 to 5 times higher than current production levels Current levels of investment would have to be trebled if production targets are to be met during the next Five-Year Plan

To attract such massive investment prospects of returns on such investment will have to match profits earned by efficient units in other industries It is also necessary to restore confidence in Government s policy for the pharmaceutical industry to give the investor some assurance of a stable and predictable climate for the future

Additionally, world standards of manufacturing practice are becoming more and more stringent and improvements in manufacturing methods necessarily involve fresh investments for replacement of obsolete equipment at much higher costs The return the manufacturer gets today is totally inadequate to allow modernisation to the

extent called for to keep pace with world standards The government have recognised the importance of quality and good manufacturing practices in the New D ugs Policy of 1987 but have not, so far succeeded in implementing a workable scheme which would guarantee fair returns to those manufacturers who invest heavily in GMP improvement

This brings me to a problem which has become endemic namely delays in obtaining price adjustments to neutralise cost increases, especially when inflation is on the increase Despite the reduced number of formulations which are price-controlled after the announcement of the New Drugs Policy there continues to be a large backlog of price approvals which can only be put down to an incomprehensible hesitancy to allow a manufacturer a reasonable price for his product looking to his actual costs of manufacture

In my Statement last year I had strongly advocated a system of automatic revisions without the necessity of seeking specific governmental intervention and I would once again renew the plea Small but periodic price revisions will not only ensure some continuity and predictability of returns to a manufacturer but will also be more acceptable to the consumer Looking to the maturity of the industry and the length of time it has been subject to stringent price controls **I would recommend a much looser form of control based on, say, a form of indexation of maximum permissible price increases per time period, allowing a manufacturer the flexibility to operate within predetermined parameters**

Turning now to company operations performance during the nine month period ended 31st March, 1989, has been creditable having regard to certain adverse factors referred to in the Directors Report such as the trade boycott, substantial price reductions arbitrarily imposed on several pharmaceutical products and a temporarily depressed market for veterinary products Trading conditions are now, fortunately, more favourable and the year has commenced well

It has been a rewarding experience to work closely with our joint-venture partners PICUP and KSIIDC and to bring the Company s two diversification projects on stream as quickly as possible

I conclude by expressing my appreciation of the devotion and industry of the entire staff I am sure you will wish to join me in conveying thanks to all of them

Note This does not purport to be a record of the proceedings of the Annual General Meeting For a copy of the Chairman's full statement and the report and the accounts, please apply to the Secretary, Glindia Limited, Dr Annie Besant Road, Worli, Bombay-400 025

Innovative Marketing Strategies

Small Enterprises Fight Large Established Companies

S L Rao

A quick look at a variety of market segments in India shows that markets dominated at one time by subsidiaries and associates of world leaders have given significant shares to small enterprises that have adopted ingenious methods to enter the market and grow There has been a flood of new entrepreneurs who have reached positions of eminence in the markets that they have entered The examples discussed in this paper illustrate some of the reasons for the success of the small enterprises

SMALL industry accounts for a substantial part of production and employment in developed as well as developing countries In countries which have recently achieved high levels of income and employment like Italy, the underground economy, to a large extent comprising small industry, is said to be the driving force. In developing countries this is even more the case For instance, in Peru, Hernando de Soto argues that the underground economy 'embodies the entrepreneurial energy of ordinary people It comprises thousands of craftsmen storekeepers, truck and bus drivers, and food vendors whose operations would be perfectly legal in the US but whose governments force them to ply their trades illegally" He goes on to argue that "if this entrepreneurial spirit were legalised and nurtured rather than fettered and suppressed, a burst of competitive energy would be released"

A quick look at a variety of market segments in India shows that markets dominated at one time by subsidiaries and associates of world leaders have given significant shares to small enterprises that have adopted ingenious methods to enter the market and grow The entrepreneurial spirit of innovation in product, process and procedures is alive and well in India There has been a flood of new entrepreneurs who have reached positions of eminence in the markets that they have entered

In industrial products, it has many times been due to their ability to find potential markets for products which were imported, find lacunae in the patent laws, locate a technology collaborator abroad, acquire licences, tie up large segments of the market, or find ways through the maze of facilities and incentives available to the small enterprises This process is not as simple as it sounds. It calls for sustained effort and determination as well as high levels of organising capabilities However, market demand exists, or is latent, and there is little competition, so that the effort is not so much to create a market and to succeed against formidable competition, but to get the necessary licences and permissions for planning and then organising production and finance.

The consumer product (including many consumer durables) markets have in recent years seen a revolution Small and unknown manufacturers have come up from nowhere and undercut the market leaders in spectacular coups by attacking in ways and in places which others have not thought of, and which the new entrants have found the existing market leaders to be vulnerable in In most of these cases, there was little initial investment in plant machinery and buildings However there are many times high levels of marketing investments, usually on advertising and promotion many times on distribution and sometimes on sales force

It may not be a gross generalisation to say that almost every consumer product market today has powerful (sometimes dominant) leaders who were not visible a decade or so ago There are markets in which a dominant (usually multinational) producer has been pushed far behind by these new entrants who started small but achieved spectacular growth

These successful small entrepreneurs appear to have some things in common

(1) They have an understanding of the consumer and the market which enables them to identify a neglected market opportunity
(2) They have an innovative approach to marketing which is not constrained by the book of rules' written by professors, market tradition, and experiences of other manufacturers
(3) They have an ability to manage the environment of laws, rules, procedures, and the persistance to go on despite the hurdles thrown in their way by their formidable competitors as well as the constraints from the government

The multinationals who have (mostly) lost out to these new entrants have done so for one or more of the following reasons '

(a) A sense of complacency—"nobody can beat us"
(b) An increasing distance from the consumer and the market in the life-style of their executives resulting in their developing the lazy habits of picking products off the well-stocked shelves of the overseas principals/associates
(c) Chief executives of the Indian companies who develop secretive habits of work, trying to keep themselves as buffers between the overseas companies and the Indian executives, this being reflected in an unwillingness to freely share information
(d) A tendency to concentrate on the elitist ends of the market in which product attributes which are required in overseas developed markets were offered to the Indian customer, and the inability to re-design products and reduce costs in order to attract mass markets
(e) A traditional approach to marketing—e g that advertising should always follow distribution, that distribution should always be supervised by your own sales force; that you don't 'knock' competition, that you use exotic and 'sophisticated' models in advertising and keep away from 'ethnics'
(f) A relative lack of local product information and product design
(g) There were also for many years limitations imposed by government on capacity location, licences for new products limitations on leasing capacities or selling goods of other manufacturers, all of which forced them to limit their activities

The examples given in the rest of this paper illustrate some of the reasons for the success of the small enterprises They could help in understanding the different strategies of approaching customers and markets which have led to success

Nirma and Detergent Market

This is a story that does not need much telling since it is so well known Hindustan Lever started with a bar soap and a cake (Sunlight) They followed it with a soap powder (Rinso), and finally with a synthetic detergent powder (Surf) Others in the market followed Lever Tata had 501 bar followed by 501 cake, 501 soap powder and then a detergent powder Swastiks were the first—even before Surf—to come with a detergent powder but were soon overtaken by Surf

Logically a bar soap cake should have been followed by a detergent cake and not a powder This was especially so when soap powders never really took off in the Indian market India has always been primarily a bar/cake market

Further, thanks to Surf, all the other detergent powders, were 'sophisticated' in the sense that they were in heavy cardboard packing, very well printed and with powders which had a variety of ingredients to allow for optical whitening, high detergency, kindness to hands, etc. Lever started with large

pack sizes and others followed suit Some ten years after the launch Lever introduced polythene sachet packs to provide a low unit price small pack which was aimed as a penetration pack

Over the years many small scale manufacturers had started selling detergent powder in regional markets taking advantage of the concessions available The products were poorly presented of low quality and generally unbranded

In fact of course synthetic detergents in the Indian market despite very high rates of growth accounted only for a fraction of the total washing market This was primarily because of price As vegetable oil prices increased the price difference narrowed but traditional vegetable soaps were still much cheaper

Nirma saw this gap and seized it with a product that was harsh on hands and clothes and had cheaper packaging Nirma also used the advantage of saving on the high excise duty by making it in a cottage industry without the use of power and thus heavily labour oriented Their unique features in relation to other similar manufacturers were a distinctive brand name and identity created and supported by highly professional advertising and a memorable jingle They also did not set up their own sales force but built a loyal network of distributors around the country who earned higher margins than on Surf and other brands In this way Nirma appealed to a whole new population for whom Surf was too expensive and to many current users of detergent brands for whom Surf and other brands were too good for use by domestic servants Nirma therefore had an explosive growth and a generally explosive effect also on the total market Nirma had 59 5 per cent of the powder market in 1988 versus 7 1 per cent for Surf Nirma followed on this success with a Nirma detergent cake which now has 34 2 per cent of the market against the earlier very successful Rin (which now has 21 6 per cent)

Thus Nirma's innovation was in taking full advantage of the tax concessions and equally if not more so in its approach of going after an existing mass market which had been ignored with a product which satisfied the customer but did not give the customer attributes which added more to the price than to the utility that the customer got from them

Balsara and Toothpaste Market

Balsara is a company which today has a turnover of around Rs 46 crore It started as a manufacturer of products to control odour and then branched to hygiene and especially products to keep toilet bowls clean These were small markets and Balsara remained a small company though it was the dominant one among the many other small manufacturers It was the introduction of the toothpaste Promise that marked Balsara's entry into the big league The toothpaste market is estimated at around Rs 160 crore and many multinationals are in this market with Colgate dominating the market the others being Ciba Levers Geoffrey Manners and Beecham Interestingly none of the others has been able over many years to make a dent into the very large market shares consistently held over the years by Colgate Both Levers and Ciba tried very hard In the last 25 years Levers has had in this marked brands such as S R Gibbs Pepsodent Signal and Close up Of these the first two have been withdrawn and the latter two lead a tenuous existence It could be questioned whether Levers even make money on their entries in the toothpaste market Ciba which had a few years of success when Chlorophyll was in fashion and pioneered the use of jingles on the radio through Radio Ceylon has not been able to repeat that success subsequently

Geoffrey Manners has had Forhans as a specially positioned toothpaste (for gums) in the market for many years and has consistently held on to its modest share It is not an ambitious brand and has not made any waves in the market Another multinational which is also in the market is Beechams with Macleans toothpaste again a very modest member of this large market Hence Colgate has been an enormously profitable and successful company thanks to its continuing dominance in the toothpaste market Its vast resources enable advertising expenditures estimated at around Rs 5 crore in an year, and a superlative distribution network supported by a good salesforce. The product sets the taste and flavour preferences among customers All attempts by the many other multinationals have failed in making a serious dent into their position

It was this market that Balsara entered with Promise They have been very successful being now No 2 in the market after Colgate though far behind with a 12 per cent market share versus the 15 per cent of Colgate

What is it that enabled Balsara to succeed when so many larger and more experienced companies could not do so? Balsara went ethnic They recognised that cloves were the accepted remedy all over the sub continent for problems to do with the gums teeth and mouth odour They therefore launched a toothpaste whose major claim was that it contained clove oil They also made sure that the base used for the product was satisfactory as was the foam characteristic They had the courage to invest in advertising despite their small size as a company While others tried to copy Colgate or to introduce product concepts picked up from their home markets in the US or elsewhere in the west Balsara instead went native' This succes has been sustained over the years

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Balsara are now trying to repeat this success with their new toothpaste 'Babool' The product again claims to use an indigenous mouth cleanser as the flavour It is also priced much lower than Colgate and has the appearance of Colgate in its carton and tube to the extent that Colgate has filed a suit against them for copying The tube is made unlike others of a soft plastic It may well be that this product will not have success of Promise because it does precisely what Promise so carefully avoided doing It tries to imitate the leader and offers a similar product to Colgate at a cheaper price

Balsara's is again a story of a small enterprise which bucked a trend and managed to succeed in the face of very strong competition from big manufacturers by recognising the new mood of the Indian customer to accept ethnic flavours and tastes and exploiting this gap in the market

MTR Packet Foods

Packet foods have spread all over India and are even available in many stores in major cities in the US Canada and UK They include a variety of ready mixes idli vada dosa specialised ethnic dishes (Indian) sweet mixes of various kinds sambhar mix rasam mix etc The demand is growing with an increasing number of urban households with both husband and wife at work the lack of wide culinary knowledge and perhaps time and patience among many young housewives space constraints in urban living affecting cooking possibilities etc For these families while there are limits to the price they can pay they will pay a price that has a reasonable equivalence to the fully homemade product However the market size (which has to be estimated) is no vast and production techniques are on a small scale and labour intensive both in manufacturing and packing These manufacturers have also taken advantage of the new cheap simple and attractively printed packing material now available which ensure security from infestation of the contents as well as attractiveness in display on the shop shelf The small scale enterprise has low overheads and is able to continue operating at low levels of production Distribution is managed by using well located distributors who earn good margins and the typical manufacturer has no sales force The product seems to move largely by word of mouth and visibility MTR is the brand marketed by a well known restaurant in Bangalore with a reputation for quality cleanliness purity of ingredients and excellent taste Other brands with a good share of this market are 'Gits 'Orkay The packaging is in attractively printed paper and polylaminates enclosed in transparent polythene bags

The success of these brands is in contrast to the failure of Hindustan Lever, a giant in the consumer products markets with enormous experience around the world in pre cooked food products Levers were the pioneers in introducing packet foods under the name of 'Hima' in the 1960s The plant which was set up for dehydrating peas was used for the drying of various food mixes as well Access to a first rate research centre enabled good quality product formulations which gave good results easily each time, and good taste Expertise in developing packaging materials developed over years in the marketing of soaps toilet preparations and edible fats was used to develop new laminates for packing However flexible packing was in its infancy and many types of packaging films were not made in India or were in short supply Distribution was no problem because of an established stockist net work Experience in market research into consumer tastes attitudes and habits was used in studying the potential consumer The company had large resources earned elsewhere in the business some of which could be used for investment in developing this new market

In the event by the early 1970s Levers had sold off the dehydrating plant and were out of the ready foods business Many reasons can be attributed for the failure There is no doubt that the market was too small for Levers and was going to take years to develop though marketing investments could have developed the market much faster The overheads allocated to this new business from the beginning were more than the sales could bear The selling was handed over to high pressure salesmen whose experience was in selling talcum powders and toilet preparations They overloaded the distribution system resulting in damage to goods which many times reached the consumer with insects having got into the package Flexible packaging was in its early days and low volumes meant high costs per packet

It is clear that the small enterprise which is willing to accept low volume and patiently to build the market over years is better suited than a huge company for whom the market is too small which has established procedures of allocating overheads and which makes small volume products unviable from the outset The question of viability of new businesses in large organisations creates serious problems for new products This is especially so when the market has to be created developed and supported

Rasna and Soft Drinks Market

The soft drinks market in India was in three categories for many years carbonated beverages in many flavours packed in bottles with crown caps squashes and cordials non carbonated beverages and juices in bottles and cans The first has been domianated by Parle and Pure Drinks the second by the UB Group with products from Kissan Herbertsons and Dippy the third by Duke and now Parle and Lipton

Of these three the dominant and faster growing market was that for carbonated beverages most of which are aimed at the youth market The second was a relatively stable market with many small-scale producers taking advantage of local incentives, and the third was if anything, a declining market except in bottles, because of the very high cost of tins the small scale nature of the industry for whom it was reserved, and the poor technology

About 10 years ago the market was changed radically by three major developments (1) the introduction of fruit juice and squash concentrates in bottles (2) introduction of powder concentrates in packets (3) introduction of tetra-packs for non carbonated drinks and juices

The first development was initiated by the existing manufacturers of squashes and cordials After a brief initial success it collapsed The second was initiated by very small-scale manufacturers the best known of whom was Rasna The third development was initiated by Parle as a diversification from its interest in carbonated beverages, soon followed by Treetop a Lipton product for whom this was a first foray into this market from concentration on hot beverages, i e tea

From the beginning Rasna's target was extremely tightly focused on pre-teen children The pack size the unit price, the symbols and models used in advertising all were aimed at this target The product was made available in many flavours with frequent additions to the range TV was used extensively from the outset aimed at this target

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group The charming child model and the closing line 'I love you Rasna' pulled at the heart strings of parents, appealed to their emotion and made them favourably disposed to the product Children related to the model The product itself was fairly ordinary and required the addition of sugar thus resulting in a reduction in the bulk of the package Fortunately the product introduction coincided with the easier availability of sugar in the market (after sugar decontrol) than in earlier years The product was easily reconstituted and the cost to the consumer per glass was significantly lower than that for carbonated beverages squashes or other drinks This made it appealing to the parents as well It has a good shelf life, does not occupy space in storage and there is no worry about storing and disposing of empty bottles for which a desposit has to be given Rasna got its distribution by creating a demand through advertising Coming as it did in the early days of TV network advertising Rasna was able to get wide coverage and reach at fairly low cost

Juice and Tang of Kothari General Foods (General Foods is a leading player in this business in the world) came some time after Rasna While Juice entered with packaging and product similar to Rasna their investment in advertising was low and they were unable to get the distribution and display of Rasna Juice depended on Voltas for distribution and Voltas was unable to penetrate into the mass of outlets created and dominated by Rasna and which it held on to through continuing heavy advertising

Tang was a much superior product based on imported ingredients It was supplied in a bottle and the unit cost to the consumer was Rs 50 This immediately pushed it out of the reach of most consumers of Rasna and the different soft drinks Even though distribution was reasonably good the product did not have a chance to take off

It can be seen from this example that Rasna built a market by focusing on the high investment and space required for bottles and cans focused carefully on the target consumer invested in advertising in a sequential way over the country to build distribution and found effective packaging which would enable a unit price that would give it a mass market reaching down even to the lower middle class Thus their approach to the mass market and not using the 'Rule book of marketing were their innovative approaches to marketing as was their initiative (knowing the consumer and the market well enough) to enter with an appropriate product form at the right time

CONCLUSION

The four illustrations in this paper are representative of many other such stories of small enterprises battling and winning in markets earlier dominated by very large, and many times, multinational enterprises Thus when IBM left India, International Computers was the logical successor In the event Hindustan Computers came in and achieved over Rs 100 crore turnover within 10 years, primarily through a demand creating strategy based on volume production, mass markets, and price cuts More recently, Sterling Computers has gone one step further by offering good products at significantly lower prices than others, the lower prices being helped by volume and by overhead reductions as, for example, by not having their own service networks The Indian customer has little difficulty in finding local service groups at affordable prices and is interested in the lower prices which he gets from them Good Knight' brought in the electrical mosquito destroyer from Japan into a market which had got a little fed up with the smoky coils and unpleasant ointments They recognised that there was a large enough market of people with money for the initial high investment in the electronic device and thus pre-empted the giant Rallis who had both a coil and an ointment in the market for many years Similarly in recorded music HMV was beaten by small and local recorders of taped music, for example Sangeeta Philips, the pre eminent name in entertainment electronics, followed by Bush and Murphy have been beaten in every segment of the market—whether radios tape decks speakers, black and white or colour television sets, and video cassette players and recorders The leaders now were unknown around a decade ago—for example, Weston Dyanora Onida, Videocon, etc In audio tapes T Series have come from nowhere to lead the market Hero Bicycles who were a small scale industry buying steel tubes from TI have not only beaten TI who owned world famous brands like BSA, Hercules and Raleigh but are now also making a determined bid to lead in the moped and motor cycle markets Their strategy has been to offer superbly made products at reasonable prices based on large volume and very tight cost controls The largest tour operator in India is not Thomas Cook or Cox and Kings but Raj Travels who pioneered Indian food and Indian guides, thus catering to the moneyed and conservative Gujarati Marwari or South Indian traveller overseas There are many other such examples

Market dominance has in almost all instances resulted in complacency These dominante manufacturers got too used to limited and highly protected markets They looked for small volumes and high prices They did little to create new demand and go after mass markets They found it too easy to pick up products which were successful in other countries, and offered them with little modification to the Indian customer On the other hand the small new entrants had to find ways of going around these large manufacturers They did so by knowing what the customer really wanted and designing products and strategies that gave the customer that, and in the process created mass markets, creating new demand, and many times leaving established and dominant manufacturers far behind

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Managing a Development Information System

Strategies and Methodologies

Kalyan Raipuria

This paper briefly introduces the concept of Development Information System and the system as it has evolved during the last forty years and as it is managed presently in India The strategies and methodologies followed are briefly reviewed The paper points to the major limitations of the system which remain in the light of the emerging information requirements The problems and challenges are then briefly discussed The paper, at the end, includes some reflections on future strategy and methodologies based on the review and concludes with certain issues related to DIS

I

Introduction

THE building up of a Development Information System (DIS) in a poor or developing country (DC) is indeed a difficult and long term process Several countries like India have had the experience of this for about 40 years Several others have had much shorter experience The problems and challenges these countries face are however general and common in developing strategies and methodologies Thus a study of India in some detail may be useful not only for our own better management but also of relevance to other countries

The present paper proposes to briefly deal with the conceptual and operational framework of DIS and introduce the DIS in India (Section II) provide review of the strategy and methodologies of DIS in India (Section III) discuss certain limitations problems and challenges arising from the Indian experience some of which may be common to most DCs (Section IV) and make some reflections on future strategy and methodologies (Section V)

II

Conceptual Framework

A DIS may be understood as an integrated comprehensive regular predictive and widely usable arrangement calibrated to meet the information needs of development strategy formulation implementation and review covering major indicators of the economic and social conditions of people at large Of course the specifics of information needs would be determined by the stated objectives of development in the country and the way these are sought to be achieved through planning, or market mechanism or a mix of both The needs would also be determined by the current stage of development and the size of the country, indicated by population land mass and GDP, among others Their international dimension would be determined by the degree of the economic openness

The DIS would have both organised and unorganised sectors given the case of a DC It would also have the government/public sector components and the rest of it which may mean non governmental organisations (NGOs) and private sector including the academic and research institutions It would also have both domestic and international facets Of course it would have several subject sectoral (agriculture, industry trade etc) sub systems Its functional sub systems may relate to policy and planning designing collection processing, storage and retrieval translation analysis research and development cadre and training of personnel dissemination and publication which may often be common to sectoral sub systems

Information in the above context should be understood in its broad sense much broader than statistics defined as structured data qualitative and quantitative based on definite framework modelling in the light of set objectives so as to increase the level of knowledge and planning policy and decision making capacity and finally productivity and efficiency That is information which is processed and which has input value has the desired impact and helps in achievement of the user's objectives rather than resulting in atrophy

Developing of DIS may be taken to mean expanding base, widening coverage, standardising the classifications and concepts maximising utility exercising cost effectiveness as also increasing adaptability to the emerging needs

The review of a DIS is meaningful only if it is made in the light of the widely felt needs of (a) informed planning policy formulation and decision making for pursuing a development strategy (b) monitoring and evaluation of development schemes (c) intelligence for developing mitigation strategies for the observed problems (d) better co ordination within the government as also between government business and industry (e) increasing feedback from the public at large about development performance and (f) maintaining appropriate relations with different countries

Such a review is crucial in formulating strategy and designing and implementing methodologies of a DIS in future

DIS IN INDIA

The DIS in India in the present state, has evolved in the context of the country's development planning initiated in 1951 Before independence in 1947 collection of information/statistics related to law and order, revenue and trade which provided a picture of the export of raw materials from the colony and import of manufactures from Britain This was of course, to give way to a development oriented system after independence The country has had about 40 years of independence and a little less of planning The basic socio economic objectives guiding these plans have been higher growth self reliance greater employment, poverty removal redistribution and social justice backward area development and development of modern agriculture and industry Recently there has been emphasis on cost reduction higher productivity efficiency technological upgradation and international competitiveness

The DIS in India is tuned to (i) the mixed-economy system in which public sector has a crucial role in production and capital formation processes controlling core sectors, (ii) the domestic economy being a large country reflected in limited economic openness and (iii) mostly centralised planning, policy formulation and decision making

The present paper while reviewing, *stylises the DIS* on the basis of the observed characteristics brought out in Annexure I in terms of national policy strategy and existing organisations What is attained in operation may not strictly stand to the test of a system[1] in its horizontal or vertical sense

There is the Central Statistical Organisation (CSO) set up in 1951 directly responsible for co ordination and development of statistics and the National Sample Survey Organisation (NSSO) set up in 1958 for major surveys but there are also other organisations involved in information processes The major information sources are the government departments of the central government but there are important sources of information at the state and local levels looked after by the State Statistical Bureaus (SSBs)/Directorates of Economics and Statistics (DESs) There are about 130 different organisations at the centre, aside from CSO employing over 10 000 statistical workers aiming at collection of information, co-ordination surveys, research and

analysis, etc contributing to the DIS There are over 400 statistical offices units in the states There is National Informatic Centre (NIC) set up in 1975 for developing information technologies and country wide computer support though several organisations have their own computer systems as well [NIC 1987]

Perhaps a fully centralised and a well integrated comprehensive information system remains an ideal for most of the countries and India is not an exception Information is considered power and the organisations of source part with this power with difficulty making co ordination difficult In DC like India there also remain problems of [illegible] resource and complimentary infrastructure The following sections present [illegible] view of DIS in India

III

Review of Strategy and Methodologies

The major characteristics of the Indian DIS as brought out in Annexure I show that

(i) India has a well determined national policy and strategy of DIS in the country

(ii) The overall authority and co ordination is vested in suitable central ministry

(iii) There are a number of central national implementing co ordinating organisations in regard to (a) collection and co ordination of statistics (mainly CSO) (b) surveys and census (NSSO and RG) (c) informatic development (NIC) (d) collecting and analysing information for planning and policy formulation (e g Planning Commission directorate of economics and statistics of ministry of agriculture and economic divisions of other ministries (e) monitoring of large development projects (programme implementation ministry) (f) evaluation of development programmes (Programme Evaluation Organisation PEO) and (g) commercial intelligence (DGCI and S)

(iv) There are regular and special set ups and panels for consideration of deficiencies and improvement of the DIS

(v) The annual budget and the plan provisions are made though marginal in relation to total provisions (and insignificant in relation to GNP) the provisions for statistics and NIC are made separately

(vi) There is a central cadre arrangement for training and development standardisation and quality control

(vii) There are a number of scientific societies and associations set up to help improvement in DIS

(viii) India has attempted close and active co operation with the international agencies involved in information development and harmonisation,

(ix) There are specific news outlets for developments in the system and new surveys conducted from time to time and

(x) There is a system of annual medium term and five yearly appraisal of progress of DIS which is also published

STRATEGY AND METHODOLOGIES

From the very beginning the strategy of building up the DIS in India has been to expand the statistical base with the constraint of given resources to build up the necessary organisations and institution to systematise and standardise the collection processing and presentation to identify the gaps and operate the fill in action plans all in the light of planning and policy needs to develop the system using modern information technology keeping in view the socio economic constraints and to disseminate the maximum information for use as far as it can be made public

The methodologies included (i) centralisation of the system (ii) standardising the concepts methods, and systems of presentation (iii) building up of a well trained cadre (Indian Statistical Service) and supporting personnel at different levels (iv) selection of scientific techniques (e g census sample) according to the nature of source and objective (v) updating the base of indices of development information to account for the current conditions and (vi) using the latest available information technologies

The progress of strategy and methodologies of the DIS according to our review has been remarkably successful considering the development stage indicated by low per capita income (estimated at $ 290 current prices for 1986 87) and large size of the country population polity and scale of gross domestic product and large number of producing units The DIS concerning the external sector has also been growing well considering relatively small economic openness of the country indicated by the share of exports and imports of Gross domestic product (7 per cent and 10 per cent respectively in 1985 covering goods and services)

The standardisation of data base of major indicators at national as well as state level has been possible The industrial trade and custom statistics classifications have been brought in harmony with the international classifications The national accounting is also in line with the UN system Input output formulation is in standard (Leontief's open static model) format Thus the statistical base is fairly developed and is on standard international lines This is mainly because of the crucial role played by the public sector in GDP (one-fourth of total), manufacturing (one fifth) investment (about half), and foreign trade (about one fourth) the sector in which collection of information is administratively easy and speedy for the government

MAJOR SUB-SYSTEMS

The major subject sub-systems of the DIS which have evolved over time include macro-level as well as sectoral, and those relating to basic socio economic development characteristics The coverage of the DIS is comprehensive particularly in regard to the demographic aspect macro economic aggregates like national income, value added savings investment and private consumption expenditure sectoral (agricultural and industrial) output and value added prices (consumer wholesale) employment levels and components of money and credit banking foreign trade and balance of payments and science and technology (S and T)

The census of population conducted every decade (latest the 12th in 1981) is one of the largest and most comprehensive information system in the world now covering about 800 million persons India prepared and published its first national income series as early as in 1954 revised in 1967 1978 and 1983 In view of the improvement of more and more information about unorganised sector[4] economic census (by CSO in 1977 and 1980 with follow up surveys beginning 1983 84) has become part and parcel of the DIS in India Considering the objective of poverty removal redistribution and social justice it is necessary that micro level detailed information is available on consumption savings capital formation employment etc For this purpose, rounds of surveys (by NSSO) are conducted to provide the required data particularly for central planning An important set of information is collected on different programmes and schemes under implementation which are part of the five year plans Among these, there has been recently a comprehensive collection of data on the poverty removal rural development and employment programmes With increasing emphasis on modernisation S and T and scientific use of natural resources there is increasing focus on building up S and T and natural resources information systems The National Information System for Science and Technology (NISSAT set up in 1977) presently runs specific sectoral information centres e g for leather food machine tools drugs and pharmaceuticals A commercial based Technology Development and Information Company of India (TDICI) is being set up to finance the projects and provide technology information

PLANNING AND DIS

It has been observed that "the primary function of planning in a free society is to increase the flow of information thus correcting the imperfect 'anatomy of market failures'" [Rodan, 1963] Given the imperfections of markets as also the inadequacies of economic mechanisms in a developing country like India, central planning adopted in the country was expected to result in an appropriate availability of information

covering all segments of social and economic life, for planning, decision-making as well as public participation. The planning process has indeed been successfully feeding back the requirements of DIS to the whole administrative system in this regard. The steering groups, task forces and working groups and other panels appointed in the process [list in Alagh 1975] and the commissions committees set up on specific issues have been instrumental in generating substantial information. As a result, plan after plan, the number of institutions and areas covered for information have grown resulting in data base improvement.

India has a long history of plan modelling particularly at the central level. The current generation of plan models established since 1972 explicitly provide dimensional hypotheses and magnitudes of sectoral outputs to achieve the targeted growth and redistribution. The recent add-ons [Alagh, Kashyap and Murthy 1984] include sub-models of agriculture and industrial sectors, poverty, consumption, foreign trade, financial resources, demography and employment [PC 1986]. There have been some attempts to formulate policy models in regard to prices, employment, savings, etc. but are yet to be formally integrated with the plan modelling system. The modelling activity generated demand for a variety of information relating to macro economic aggregate, society's consumption, employment, input-output transactions, farm related aspects, distribution of income and wealth and above all demography.

The present model related information system (MODRIS) is described in the table. Most of such information is highly processed and detailed, of considerable research value, aside from use in planning and policy formulation. India is one of the few DCs having prepared detailed input-output transactions tables (IOTT, covering coefficient and associated product mix, market share, main other products, absorption and make matrix) presently available for 1973-74 [CSO 1981] while that for 1978-79 and 1982-84 are under preparation. These tables based on extensive data base provide an integrated quantitative picture of the whole economy. The available IOTT provides 115 × 115 sector matrix compared to 30 × 30 sector matrix IOTT prepared for 1960-61 [PC 1974].

TOWARDS COMPUTER BASED DIS

In view of large scale of DIS sub-systems in India, many of the concerned departments have set up their computer systems at varying scales. The major organisations include Planning Commission, department of statistics and registrar general's office. National Information Centre (NIC) was set up in March 1975 by the government under the department of electronics, presently under Ministry of planning, to promote computer-based information system in the country.

During the last thirteen years, NIC have made considerable progress [NIC 1987]. NIC have the large frame computer (CDC Cyber 170/730) installed at headquarters (HQ) in Delhi. About 20 mini computer terminals have been provided to 59 government ministries departments in Delhi. These departments have compatible computer systems (200 PC AT and PC XT) connected to the NIC Cyber System to form its network, NICNET. The sub-systems in the computer system can be assessed on line from these terminals by the departments. Aside from this service, NIC helps the department find solutions to the problems related to further development of information system.

NIC is presently attempting to extend the NICNET to cover the 25 state capitals as well as 438 district (DISNIC) in the country to help improve planning and monitoring of development schemes and finally develop a quick system of information linking them to the centre. The plan to evolve a comprehensive computer network is part of the Seventh Plan 1985-90. For this purpose, 4 super computers (NEC S 1000) have been installed at four places (including HQ) in the country. At second level, super mini computer (ND 550) systems will be installed in all the state capitals. They are expected to act as information bridges between the district systems and the central system. The district systems, as a part of DISNIC, will have Super AI System for providing services and covering information on monitoring schemes and other socio-economic data required in planning and decision making. The NICNET is aimed to use satellite communications for connecting the districts of the state systems to the regional systems. The Mother Earth Station is to be installed in Delhi with Micro Earth Stations in state capitals and districts. INTELSATV/INSAT-1C will provide the communication link [NIC 1987].

NIC has developed a large pool of highly trained and experienced personnel covering 800 computer professionals. Furthermore, more than 3,000 officers and staff people belonging to other departments have been trained to move to computer based DIS [NIC 1987]. The projected requirements are, however, substantially large corresponding to the computer development programmes under the Seventh Plan.

TABLE: MODEL RELATED INFORMATION SYSTEM (MORDIS) IN INDIA

Model Sub-Models	Information Base	Methodology Involved
A. Core Models		
(i) Macro Economic Model	National Accounts Statistics (CSO)	UN National Accounts and Harrod Domar Macro Growth Model
(ii) Input-output Model	Input-output Transaction Table 115 × 115 sector for 1973-74 of CSO updated and revised at 1984-85 prices	Open Leontief's Input Output Model
(iii) Investment Planning Model	Capital flow matrix for all 11 national income sub-group	Estimating parameters relating to investment and output (time series) for major sectors
B. Sub-Models		
(i) Agriculture	Region or location based estimates of output, demand and inputs to examine feasibility of target based on A(ii)	Relationships between area and production
(ii) Industry	Material balances (production, export, imports, change in stock) to check feasibility of target of industries based on A(ii)	Material balance approach on selective industries
(iii) Consumption	Demand forecasts for different goods and services considering likely change in distribution of income	LES consumption functions—time series and cross section
(iv) Poverty	Estimates of people crossing the specified line during the Plan and corresponding consumption requirements	Income distribution function and cross section analysis
(v) Export imports	Projections of export and import for major products product group	Simulations of parameters based on econometric methods
(vi) Financial Resources	Estimates of financial resources available to support investment	Times series and cross section econometrics
(vii) Demography and Employment	Analysis and projections of population, labour force and employment	Life tables for males and females, survival ratios, growth parameters and rural urban distribution

THE EAST INDIA HOTELS LIMITED

4 MANGOE LANE CALCUTTA 700 001

FORM II A

NOTICE

It is hereby notified for the information of the Public that The East India Hotels Limited proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under sub section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the establishment of a new undertaking Brief particulars of the proposal are as under

1	Name and address of the applicant	THE EAST INDIA HOTELS LIMITED 4 Mangoe Lane Calcutta 700 001
2	Capital structure of the applicant organisation	Rupee
		Authorised
		1 00 000 11% Cumulative Preference Shares of Rs 100 each — 1 00 00 000
		25 000 9 5% Redeemable Cumulative Preference Shares of Rs 100 each — 25 00 000
		1 00 000 9 5% A Redeemable Cumulative Preference Shares of Rs 100 each — 1 00 00 000
		5 000 11% B Redeemable Cumulative Preference Shares of Rs 100 each — 75 00 000
		2 70 00 000 Equity Shares of Rs 10 each — 27 00 00 000
		30 00 00 000
		Issued Subscribed Called & Paid Up
		83 155 11% Cumulative Preference Shares of Rs 100 each fully paid up — 83 15 500
		75 000 11% B Redeemable Cumulative Preference Shares of Rs 100 each fully paid up — 5 00 000
		2 36 03 590 Equity Shares of Rs 10 each fully paid up — 23 60 35 900
		25 18 50 700
3	Management structure of the applicant organisation indicating the names of the Directors including managing whole time Director and Manager if any	The Company is managed by its Managing Director under the superintendence control and direction of its Board of Directors Names of the Directors are Rai Bahadur M S Oberoi — Chairman Mr P R S Oberoi — Vice Chairman Managing Director Mr S M Dehanukar Mr L K Panday Mr B M Gogte Mr G K Khanna Mr S C Chatterjee Mr Raghu Rai Field Marshal Sam Manekshaw Mr B K Nehru
4	Indicate whether the proposal relates to the establishment of a new undertaking or a new unit division	The proposal relates to the establishment of a new undertaking by incorporation of a new Company for contract and project management consultancy services
5	Location of the new undertaking unit/division	Registered Office of the Company will be located at West Bengal
6	Capital structure of the proposed undertaking	Authorised Capital Rs 1 25 00 000
7	In case the proposal relates to the production storage supply distribution marketing or control of any goods articles indicate	
	(i) Names of goods/articles	NA
	(ii) Proposed licensed capacity	NA
	(iii) Estimated annual turnover	NA
8	In case the proposal relates to the provision of any services state the volume of activity in terms of usual measures such as value income turnover etc	Ranging from Rs 25 lakhs to Rs 175 lakhs during the first five years
9	Cost of project	There is no project cost as such However the company will acquire office accommodation and the necessary office equipment as and when required
10	Scheme of finance indicating the amounts to be raised from each source	Acquisition of office accommodation and the necessary office equipment and working capital margin money requirement will be met out of issued capital

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan Dr Rajendra Prasad Road New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

For THE EAST INDIA HOTELS LIMITED

Dated this 14th day of August 1989

PR S OBEROI
Vice Chairman/Managing Director

Pressman

NIC Services

Presently, NIC's services [NIC 1987] cover a large number of subject areas entailing information systems. Their number varies according to the ministry/department concerned. The areas/subjects are over 40 in ministry of finance covering revenue expenditure and economic affairs departments. On an average, the number of areas/subjects covered by the information systems in the department is 5 to 10 but would soon extend with development to NICNET. A number of common information systems for departments of the centre have been developed by the NIC. They include *inter alia* action plan monitoring, file movement, reference monitoring and public grievances monitoring. Information on feedback on adequacy and efficiency of services is however not available to make any evaluation.

NIC services include systems software support to all computer systems of NIC NET, and R and D support for designing and developing distributed data based management systems (DDMS), automatic data based design tools (ADDT) and communication protocol (CP). NIC also has the mathematical modelling support (MMS) service system and has helped several big projects in optimisation in case of Vizag Refinery, in energy planning by Planning Commission, in integrated development model for public sector joint plant committee in the steel sector, in projecting demand for fertilisers aside from help in construction of 19 stadia for Asiad held in 1982 with 35 terminals and in information dissemination during the non aligned summit in 1983. There are provisions for software development programme (CAP, CAM, CAE etc), computer development training and R and D. There is plan for National Centre for Software Development and Computing Techniques. These are aimed to take maximum advantage of emerging information technologies.

IV

Limitations, Problems and Challenges

Of course, in the process a number of limitations of DIS in India have come to surface, some of which have been examined and corrected under a system of directing and reviewing improvement of data base looked after by a standing committee in the government. Major limitations pointed out by our review include the following:

—Despite large development of the DIS over the period there remain *important gaps* notably in respect of large unrecorded production" [CSO 1988] and substantial unaccounted income.[6]

—In estimation of basic growth indicators like GDP, savings and capital formation despite a revision procedure in progress there remain data gaps indicated by the significant extent to which *indirect current data* are used notably on agriculture and small-scale manufacturing, extent differing among outputs and inputs [Chakravarty and Raghavan 1985].

—Information for the *multi level planning and decision making* i.e., space specific or regional information has several missing links [Alagh, Kashyap and Murthy 1984].

—There have been attempts to *standardise* the concepts and methods of measurement relating to national and state domestic product but there remain problems of comparability among them and comparability with other countries aside from problems of continuing improvements and methodology constraining comparison over period and different series of estimates [CSO 1987b and 1988].

Though the *economic indices* (consumer price index (CPI latest base 1984-85, industrial production index 1980-81 and foreign trade index 1978-79) have been updated in respect of their base from time to time, there remain problems of continuing up dating, suitability to economic analysis, statistical consistency i.e., comparability with earlier indices and above all appropriateness of indicators for serving the main purpose e.g. in CPI [Minhas 1987 a and b].

The *forecasting system* remains weak[8] in respect of important indicators of aggregative, particularly of disaggregative nature like those in advanced countries due to inapplicable theories and dearth of relevant economic information [Roychoudhury and Mukherjee 1984] as also due to difficulties of analysis of economic behaviour given the uncertainties and continuing certain characteristics of a developing country.

Wide *dissemination* of information requires expansion of infrastructure. It is presently constrained by the inadequacy of publication, translation and communication sub systems.

Analytical sub system of the DIS has scope for enlargement and improvement given the large amount of data collected which sometimes remain untabulated and inaccessible, hidden [Ghosh 1987][9] due to shortage of handling resources leading to inoptimal use of high cost information [Chakravarty and Raghavan 1985].

With the enlargement of economic activities the CSO has found itself *weak in co ordination*, the main reason being that it has not been specifically empowered to undertake the function of co ordination through executive or statutory orders [Chakravarty and Raghavan 1985] and that it has not been given due *priority and status* [Seal 1987].

—The information collected in certain areas and by certain organisations has been found lacking in respect of even simple *analytical and quantitative framework model* to be useful in policy formulation; they include public finance, budgetary data, price data, credit data, savings and investment data. Policy advice in important areas is not really dervied from any rigorous professional work and is formulated on the basis of "meagre data, though they are being collected [Krishna 1974].

—Information system in regard to *evaluation* (mostly ex post) of development activities is beset with limitations of certain statistical 'biases' (arising due to design not using both 'control', and 'treatment' groups but only the later), time consuming process of analysis of qualitative data and inadequate sample size [Seal 1988].

Some of the above limitations responsible for imperfect planning and targeting, may be overcome as a result of a number of sample surveys and economic census which the department of statistics may undertake in the coming years. The process is however, going to be long considering the required large scale of necessary system and constraints usual to a DC, notably availability of funds.

The limitations of the DIS in regard to efficient storage and retrieval, computation and transmission, and consistency and integration are related to the speed of adaptation of available technologies in the area of informatics, computer hardware and software, telecommunication and printing. Such adaptation has much to do with the availability of resources rather than strategy of DIS, and is not easy given political realities.[10]

Major Problems and Challenges

Among the major *problems* of building up the DIS in India, some are common to developing countries, while some others are specific arising out of large size of the country, the population and the polity. As for the former, the basic is that of limited resources which gives origin to limitations of rapid up dating of crucial indices, timely collection and tabulation, processing of certain information, wider dissemination and adequate complementary functional sub systems. Yet another problem common to the developing countries relates to economic structure which is characterised by large unorganised unaccounted economy and uncertainties particularly in respect of agricultural production and foreign transactions, constraining the estimation and forecasting of macro and sectoral economic aggregates.

Recently, India has moved to the computer aided DIS, but the problems of adequate development of hardware (HW), software (SW) and orgware (ORW) are being faced, reflected in the gaps observed in respect of the DIS. Of particular importance are the necessary number[11] of material balances, timely input output transactions table, reliable employment and capital coefficient matrix and other parametric estimates e.g. foreign trade elasticities, so necessary for planning and targeting. It is important that similar information is developed at regional state level. It has also been observed that weak *cybernetics* is reflected in inadequate information feedback in planning and policy making [Joshi 1979 and Mozoomdar et al 1979]. These problems also come in the way of efficient crisis management, whether faced with natural calamities or crisis arising out of international factors beyond a country's control like the oil crisis, given the lack of

the required data calibration In fact, the problems of resources inadequate DIS infrastructure not so efficient data calibration and weak cybernetics are all interrelated

Recently in the face of rapid development of information technologies new problems have arisen relating to (a) information insecurity (b) distortion in planning and designing for DIS given large manpower with low skills accompanied by brain drain of the most skilled manpower and (c) mismatch of HW SW and ORW These problems are however not insurmountable given a dynamic policy making process and increased co operation with other countries

Technically a problem which is faced is the acceptability and credibility of information These problems are of two kinds First ly those problems arising out of (a) outdated and inadequate data base (b) qualitative cut off data and (c) deficiencies of real system and simulation data They call for setting up suitable norms of experimentation techniques specification and validation (input output and production) especially relating to model data (Oren 1981)

The external sector information sub system particularly beset with problems insofar as the national DIS is no externally hooked as in advanced countries and the certain outward and newly industrialised countries India's economic opening shut recently increased so also the interest in appetite for external information Certain steps have been taken to improve the external sector data base However there remains scope for further improvement in trade information system [Pan Mukhi 1982 particularly in respect of increasing the timeliness of DGCIS foreign trade data reporting strengthening of more rising Exports increasing availability of international prices and financial information with clarity and explicating the full potential of foreign Missions for commercial intelligence and assistance in policy making and in merchandising

The major *challenges* of the DIS is secure resource mobilisation and allocation corresponding to emerging needs which can materialise if cost benefit (C B) analysis is applied in this area raising the status of DIS organisations and personnel co operation with other countries in respect of information flow and bridging the gaps systemic and analytical in the DIS to overcome the limitations and implement various improvements observes an experienced Information maker in government a several fold increase in the financial outlay for statistical and other related schemes will surely be one of the basic pre requisites Seal 1987]

Given the centralised and top down system of information and research flow to the developing countries there is need for distributed information and research system (DIRS) at the international level [Raipuria 1985]

Some Reflections

In what follows some reflections on future strategy and methodologies are brought out based on the above review Many of these are not exceptional to India They may have some significant bearing on future strategies and methodologies in the face of increasing information requirements in future

Due priority need to be assigned to DIS considering the significance of information for planning policy formulation and decision making the *allocations* though increased in the current annual plan and budget over those of the Seventh Plan need to be further favourably reviewed in the light of the priority raising to 0 5 per cent of the total expenditure

There is need for increasing realisation by the decision makers and others that *sharing of information* is of long run use for everybody Though information power sharing of this power unlike other powers over compensates the loss which is felt in sharing information by way of feedback

Considering the need for a comprehensive and integrated DIS of increased utility to the decision maker and public at large there is a need for building up a *register of all development activities* enumerating the area of recent expenditure targets information available and what is needed etc towards building up a system based information and information corresponding to the [illegible] and their influence This would help avoid repetition of information by different organisations as now on prices imports exports production trade etc

Given constraint on resources a developing country often may have to supplement the government information system by *promoting private entrepreneurs institutions* and *organisations* to build up their information systems

To overcome the time lag in availability of information sometimes going beyond 2 3 years in the case of industry (Annual Survey of Industries) foreign trade (DGCI and S) and other [illegible] set up in official information such as unofficial prices of goods and services a sub system of *development intelligence* need to be developed to enable quick assessment of impact of plan programmes and policies to give early signals for correction and above all to truncate the area of unofficial unaccounted concealed activity This should be open and much larger in scope than Economic Intelligence Bureau of the ministry of finance set up in 1985

Proper specification of DIS calls for an *analytical framework model* of the interrelated sectors and policies and development of weekly monthly quarterly and yearly national indicators this is an imperative to prevent atrophy in the system and what is known as Emakles Law of Information [13]

An internal system of *forecasting* of major national indicators based on clearly stated assumptions and comprehensive but tightly integrated data base need to be developed over period aiming *at least* three fourth of the forecasts with error of only "marginal type (if not insignificant) over a plan period in aid of better formulation of targets and corrective action plans Similar attempts need to be made at regional state level in course of time

Such efforts may be feasible and more meaningful if information base for micro level forecasting can be tightened up lead lag relationship can be increasingly researched problems and multiple causality can be gone into and a certain interplay [14] of available official five year plan) and unofficial models can be attempted

There is scope for improving *public awareness* and understanding and shedding the biases against information and computers the latter often reflected in mis specified garbage in and garbage out (GIGO) syndrome [15] and the former reflected in the proverbial notion lies damn lies and statistics this calls for strengthening of the dissemination and publication sub system

Constructive attempts need to be made to *take* the information collected by government *out* to the maximum There is scope to give up the voodoo of secrecy in regard to facts (Ghosh 1987) this would help develop the information itself and increase public awareness wider participation and feedback

While *self reliance* of DIS is objective in regard to HW SW and ORW it is important that cordial international relations are explored for co operation in development and security of information and

Maximum use need to be made of appropriate *information technologies* in further building up the DIS These are very expensive for a DC like India but selected use on the basis of suggested C B analysis should be promoted Increase of external sector such as may be an imperative to increase international competitiveness To the extent such technology etc tele linking tele texting tele conferencing [16] help to exploit the manpower resource located in the country own missions abroad real benefits may be considerably larger compared to the cost Simultaneously the increasing capability of interpretation and analysis should be developed to maximise the use of information towards planning policy formulation and decision making

The above reflections are general and by no means exhaustive Specific observations can be made provided some cases of sector and or particular information gaps are analysed which requires a separate study

There remain certain issues in regard to the strategy and methodologies There is an issue of centralisation vs decentralisation An important issue is allocation of resources Yet another issue is adaptation of latest information technologies which are apparently capital intensive while we are faced with a labour surplus economy In this connection an issue can also be raised as to what extent R and D should be developed within the country and self reliance should be achieved in the supplies of SW and HW A discussion on these issues also requires a separate study

Annexure

Major Characteristics of Development Information System (DIS) in India

	Characteristics	Description
1	National Policy and Strategy	To improve the data base in regard to the areas identified and augmenting the data processing capabilities (Seventh Plan) promoting appropriate computer based information system (NIC) and timely dissemination (Seventh Plan)
2	Political authority and responsibility	Minister of Planning and Deputy Chairman Planning Commission
3	Overall Co ordination	Ministry of Planning
4	Central/National Implementing Co ordinating Organisations	Central Statistical Organisation (CSO) Ministry of Planning New Delhi
		National Sample Survey Organisation (NSSO) Ministry of Planning New Delhi
		National Informatic Centre (NIC) Ministry of Planning New Delhi
		Office of the Registrar General (RG) and Census Commissioner Ministry of Home Affairs New Delhi
		Office of the Economic Adviser Ministry of Industry New Delhi
		Labour Bureau Ministry of Labour Chandigarh
		Directorate General of Commercial Intelligence and Statistics (DGCI&S) Calcutta and National Trade Information Centre (forthcoming) presently handled by Trade Development Authority (TDA) Ministry of Commerce New Delhi
		Chief Controller of Accounts Ministry of Finance New Delhi
		Reserve Bank of India (RBI) Bombay
		Programme Implementation Ministry New Delhi
		Programme Evaluation Organisation (PEO) Planning Commission New Delhi (and state capitals)
		National Information System for Science and Technology (NISSAT) Delhi
		The Controller General of Patents Designs and Trade marks New Delhi
		University Grants Commission (UGC) Ministry of Education New Delhi
		In addition several departments also contribute to DIS insofar as they collect data as by product of (a) administration (revenue railways post and telegraph) (b) regulation of Economic Activities (civil supplies import control) and or (c) public utilities (water electricity)
	Advice	National Advisory Board on Statistics
		Standing Committee for Directing and Reviewing Improvement of Data Base for Planning and Policy Making Planning Commission (Ministry of Planning)
		Working Group on Economic Advice and Statistics Department of Statistics
		Regional Accounts Committee Department of Statistics
		Advisory Committee on National Accounts Department of Statistics
		Governing Council of NSSO Department of Statistics
		Adviser Monitoring and Information Division Planning Commission (full time)
		Adviser Plan Information and Publicity Planning Commission (Full time)
		Consultative Committee of Members of Parliament Ministry of Planning
	National Expenditure	Plan outlay* Rs 930 million (1984 85 prices) for 1985 86 to 1989 90 provided for the centre, states and union territories
		Annual Plan outlay (at current prices) for 1987 88 Rs 226 3 million
		Plan outlay for NIC Rs 620 million (at 1984 85 prices) for 1985 86 to 1989 90 Annual Plan outlay for NIC 1987 88 Rs 330 million
		Central annual budget* expenditure Rs 529 9 million for 1987 88 and Rs 627 3 million estimated for 1988 89 In addition, the concerned department and specialised organisations have their own allocations for statistics assigned to them States and union territories have their own budget for statistics
		NIC budget expenditure Rs 290 million for 1987 88 and Rs 315 million estimated for 1988 89
7	Central Cadre	Indian Statistical Service (ISS) since 1964
8	Training and Development	CSO ISI and IASC Professional and refresher courses
9	Statistical Legislation	The Collection of Statistics Act 1953, Factories Act Mines Act Census Act, Registration of Births and Deaths Act, Workmens Compensation Act Payment of Wages Act etc
10	Statistical Standardisation Quality Control (SQC) and OR	Steering Committee on Standardisation of Classification New Delhi
		SQC and OR division ISI Calcutta
11	Scientific Societies/Associations	Conference of Central and State Statistical Organisations (COCSSO) New Delhi
		Council for Scientific and Industrial Research (CSIR) New Delhi
		Indian Agricultural Statistics Research Institute (IASRI) New Delhi
		Indian Association for Research in National Income and Wealth (IARNIW), New Delhi
		Indian National Scientific Documentation Centre (INSDOC) CSIR New Delhi
		Indian Statistical Institute (ISI) Calcutta New Delhi and Bangalore
		Institute of Research in Medical Statistics (IRMS) New Delhi
		National Council of Applied Economic Research (NCAER) New Delhi
		International Institute of Population Studies (IIPS) Bombay
		International Statistics Education Centre (ISEC) New Delhi
		Research and Information System (RIS) for Non Aligned and other developing countries New Delhi
12	International Co operation Co ordination	CSO covering activities institutions like
		Harmonisation of International Economic Classifications (UN)
		Review and Development of System of National Accounts (ESCAP)
		Statistical Institute for the Asia and Pacific (STAP)
		Expert Group Meeting on External Sector Transactions (IMF) and
		UN Information Referral System (INRES)
13	Progress Reporting	Annual Report of Department of Statistics Ministry of Planning
		Profile of Service of NIC
		Five Year and Annual Plans
		Mid Term Appraisal of the Five Year Plan
14	Statistical News	CSO s Quarterly Statistical Newsletter
		NSSO s Sarvekshana (Survey)

* Covering Census Statistics and Survey

The reflections and issues are important insofar as one of the reasons why "Indian plans are good on paper but bad in implementation' is, to quote an experienced planner, that they are "informationally inadequate for arriving at appropriate targets along with a set of operating rules which are relatively insensitive to conjunctural variations and also insufficiently permissive of autonomous decision making by agents even in areas where they can be expected to be knowledgeable [Chakravarty 1987] and that an integrated system is yet to be fully developed

Notes

[This paper was prepared in the author's personal capacity for the conference held in May 1988 in Beijing organised jointly by the Data for Development International Association (Marseilles France) and the People's Republic of China State Economic Information Centre on Strategies and Methodologies for the Planning Design and Implementation of Information Systems in Public Administration with Special Emphasis on Economic Information Systems]

1 In our view a system would mean a well designed framework of connected *sub sets* working together in a particular fashion forming an integrated body as a functional whole serving the stated objectives in the best possible manner

2 The exact shares work out as shown in Table A

3 Area (3 288 thousand sq kms) is seventh largest in the world Population size is only second to China now reaching close to 800 million Indian polity consists of 25 states 438 districts (covering a city towns and villages) 12 cities each of the population more than 1 million 3949 towns of population more than 5 000 and 557 thousand inhabited villages GDP is $ 175 7 billion (1985) eleventh largest among the market economies comparable to that of Brazil Manufacturing value added is over $ 30 billion (1985) thirteenth largest in the world The number of registered factories alone (20 or more workers without aid of power or 10 or more workers with aid of power) is close to 100 thousand In addition there are small scale industrial units (investment of Rs 3 5 million 4 5 million of ancillary) numbering over 1 35 million (World Bank 1987 and Indian sources)

4 Unorganised sector covers a large number of farmers workers of cottage and village industries creditors artisans small businessmen domestic servants repairers small food caterers persons involved in certain modes of transport etc Additionally there is an informal sector whose contribution is not reflected in estimates covering housewives children owner labour farm output which is not marketed etc

5 Certain estimates show the likely acute shortage of skilled manpower required for different computer applications during the present five year plan period through 1990 taking current level of output information analysts 7 750, system analysts (large) 11,500 system analysts (micro) 12,500, and programmers 50,000 It is observed that in such environment of acute shortage, government is unable to attract and retain good computer professionals [Bhatnagar 1986]

6 Estimates of unaccounted (black) economy are at 50 or even 100 per cent of GDP A recent estimate of total 'black' income generation is at 30 per cent of GDP But a more reliable estimate (through excluding non gold smuggling and black marketing in foreign exchange and price controlled commodities) is at 16-19 per cent of GDP at current market prices for 1983 84 [NIPFP 1985 Ch XIII]

7 Minhas (a senior economist in ISI and a former member Planning Commission) et al (1987) have remarked thus 'embarrassing surfeit of relevant data notwithstanding one is indeed saddened to note that we have failed to construct even one consumer price index which might be taken as a correct representation of consumer price movements overtime for the entire rural or urban population of India or any of the states

8 This is brought out indicating (a) the high frequency of forecasts of major economic indicators with very significant unacceptable error and (b) forecasts mostly erring on lower side (Table B)

9 Ghosh a senior economist and formerly adviser in government has remarked thus the malaise of not tabulating data collected for administrative purposes is quite general it permeates all departments Information which is collected is not tabulated Information which is tabulated is not made available to anybody outside the government, and quite frequently even to people within the government

10 It has been aptly observed that 'these (developing or third world countries) simply do not have the decision autonomy managerial capacity or margin of error (risk absorption capacity) to be able to struggle with basically static doubtfully useful and terribly expensive information systems conceived with a technical rationality which falls so short especially in not being adapted to political realities [Crowther 1987]

11 The material balances (pertaining to capacity production demand including exports and change in stocks and imports) aside from financial and foreign payments balances prepared for the Third Plan included 9 for agricultural commodities and 31 for industrial products (PC 1966) The total number of material balances included in the Seventh Plan is 17 only (PC 1985 and 1986) Considering the past planning experience and developments in information in the country material balances for at least one hundred products should be aimed at corresponding the number of products under targeting annual plan reviews and mid term appraisal The number and updating system far excels in other centrally planned economies notably the USSR where in exclusive organisation exists for developing input output norms towards

TABLE A

Plan/Period	Total Outlay (Rs mil)	Outlay Expenditure on Statistics and NIC (Rs mil)	Percentage Share of (3) in (4)
(1)	(2)	(3)	(4)
Five Year Plan* 1985 90	1 800 000 0	1 550 0	0 086
Annual Plan* 1987 88	330 600 0	556 3	0 168
Central Government Budget**	661 608 1	819 9	0 124
Central Government Budget 1988 89	736 094 7	942 3	0 128

* Public Sector only
** Revised estimates

TABLE B FORECASTING ERROR PERCENTAGE DIFFERENTIAL BETWEEN FINAL AND FIRST[1] ESTIMATE 1977 78 – 1985 86[3]

Indicator \ Error[2]	Insignificant <5	Marginal >5 10	Significant >10 25	Very Significant >25 50	Unacceptable (deceptive) >50	Direction of Error on Plus Side
1 GNP at constant prices	(4)	1	3(3)	2(2)	3	7(5)
2 Agricultural production	(6)	1	2(1)	–	6(2)	6(7)
3 Industrial production	1(3)	1(2)	2(3)	1(1)	4	5(7)
4 Import at current prices	(5)	(2)	(2)	5	4	4(2)
5 Export at current prices	(6)	—	2(3)	4	3	5(6)

Notes 1 Figures in parenthesis refer to revised in place of first/preliminary estimates both compared to final Percentage sign of differential is ignored
2 Estimates (provisional/anticipated) for the passing year (say 1987 88) are published in Economic Survey (Latest 1987 88) of Ministry of Finance annually presented in February and just before the presentation of Central Budget of the coming year (latest 1988 89)
3 Further analysis of the differentials using Theil's decomposition procedure may reveal the bias' and variance/co-variance components of the forecasts

building up a large number of material balances which are revised very frequently in response to changes in technology, efficiency or otherwise. This speaks volumes for a highly grown DIS in the USSR found necessary for its planning system. Due to glasnost and perestroika its information need cap for external sector are likely to expand.

12 It is recommended that *ex ante* and *ex post* appraisal of projects related to DIS should be done in terms of projected scenario with and without expenditure on the information development project apart from traditional cost benefit analysis (IDAC DFD 1986 Working Group B Report). The overall performance analysis should be done by way of estimating productivity in national accounting sense corresponding the expenditure [Raipuria 1987]. Recently a survey method has been suggested to evaluate the effectiveness of investment in information technologies (a brief on price waterhouse designed survey in *Financial Times* London February 17 1987 p 11).

13 Finagles Law of Information is quoted as
The information you have
is not what you want
The information you want
is not what you need
The information that you need
is not available

14 At present a number of macro level forecasting models exist developed by different research groups. None of them may stand to test taken individually. The possibilities of interplay of these models and even of data base have been generally ignored.

15 GIGO bias is misplaced in the sense that the garbage output comes out not because of the machine (artificial intelligence computers yet not out) but because of outdated incomplete unprocured or incomparable information. The real mesage is to improve the quality of information which we have touched upon at several places in the paper.

16 Recently some attempts have been made at audio and video teleconferencing confining to few individuals on experimental basis. The author has a comprehensive illustrative report on how teleconferencing and text communication can be made use of provided a briefing procedure manual on communication and infrastructure based on an exercise focusing on global models and policy simulation attempted with the help of IBM and local telecommunication organisation the US participated by the researchers of Australia Hong Kong Japan and the US with host computer in MIT.

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FIFTH CONFERENCE IN ECONOMIC THEORY AND RELATED MATHEMATICAL METHODS

[Indian Statistical Institute Delhi Centre 7 SJS Sansanwal Marg New Delhi 16]

January 8 10, 1990

The organizers solicit original papers in economic theory econometric theory and mathematical methods of relevance to economics for presentation at the conference.

Papers dealing with concrete economic issues pertaining to the Indian economy are also encouraged provided that they are of substantial analytical significance. Papers of a descriptive or purely empirical nature are discouraged.

The length of the paper should normally not exceed twenty five typewritten pages double spaced. Two copies suitable for photocopying must be submitted. The last date of submission is October 30 1989. All papers will be refereed. Letters of acceptance will be sent out by November 30 1989.

Papers should be sent to Professor Arunava Sen at the address given above.

HOECHST INDIA LIMITED

FORM II A

(See Rule 4A(1))

Form [illegible] the members of the public before making an application to the Central Government under sub section [illegible] of section [illegible] of the Monopolies & Restrictive Trade Practices Act 1969

NOTICE

It is hereby [illegible] information of the public that **HOECHST INDIA LIMITED** proposes to make an application to the Central Government [illegible] Department of Company Affairs New Delhi under sub section (1) of section 22 of the Monopolies & Restrictive Trade Practices Act [illegible] approval of the establishment of a new undertaking unit division Brief particulars of the proposal are as under

1 [illegible] of the applicant	**Hoechst India Limited** Hoechst House Nariman Point 193 Backbay Reclamation Bombay 400 021
[illegible] structure of the applicant Organisation	Authorised capital Rs 100 000 000 divided into 1 000 000 Equity shares of Rs 100 each Issued Subscribed and Paid up Capital Rs 95 769 000 divided into 957 690 Equity shares of Rs 100 each
Management structure of the applicant organisation indicating the name of the director including managing whole time director and manager if any	The Company is managed by the Managing Director under the overall supervision and control of the Board of Directors Name of Director MR VIJAY MALLYA Chairman DR E BALTIN (Managing Director) MR S V DIVECHA MR C L JAIN (Whole time Director) DR H G JANSON MR F A HONIGMANN (Alternate to Dr H G JANSON) PROF DR G KORGER MR D LAENGENFELDER MR H J TIMNER MR P N VENUGOPALAN
4 Indicate whether the proposal relates to the establishment of a new undertaking or a new unit division	New Unit
5 Location of the new undertaking unit division	Ankleshwar Dist Bharuch Gujarat State
6 In case the proposal relates to the production storage supply distribution marketing or control of any goods articles indicate	
i Name of goods articles	HOSTATHION (TRIAZOPHOS) TECHNICAL & Formulations based thereon
ii Proposed licensed Capacity	700 Tonne p a
iii Estimated annual turnover	Rs 190 Mio approximately at full capacity
7 In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc	Not Applicable
8 Cost of the project	Rs 9 0 Mio
9 Scheme of finance indicating the amounts to be raised from each source	a) Rs 4 50 Mio from borrowings b) Rs 4 50 Mio from internal resources of the Company

Any person interested in the matter may make a representation in quadruplicate to the Secretary Government of India Ministry of Industry Department of Company Affairs Shastri Bhavan New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

HOECHST INDIA LIMITED

Sd/
C L JAIN
FINANCE DIRECTOR & SECRETARY

Dated this 21st day of August 1989

Information Support System for Urban Planning

Sreemay Basu

The development of an 'information system' for urban planning cannot be independent of the development of a 'planning system' The fact that urban data bases are virtually non-existent in this country is a symptom of the amorphous nature of our current urban planning practice

DATA or observations which comprise an information system do not exist in vacuum they are purpose specific They have to be gathered with reference to a viewpoint a specific frame of mind (collectively known as a paradigm in Kuhn's terminology) Information for urban planning therefore can only be obtained when this framework is defined that is the act of planning is made explicit and each task of the planning process identified It is important to realise that this specific and systematic definition of the urban planning process must come *before* an information base can be created It is not possible to create an integrated (the question immediately arises integrated with what?) information system which can help to make urban planning systematic That would be trying to put the cart before the horse The fact that urban data bases are virtually non existent in this country is a symptom of the amorphous nature of our current urban planning practice

National Commission on Urbanisation Recommendations

The NCU makes eight specific recommendations (Nos 71 to 8 inclusive) about an information system It may be useful to group these into three broad categories Recommendations regarding (1) the purpose or use of the information system (2) the content of the information system and (3) the procedures for acquisition of information

(1) *Purpose of an Urban Information System*

Recommendation No 74 prescribes that the purpose is to facilitate decision making and Recommendation No 76 prescribes the use of location specific information system for urban planning

The distinction made between decision making and planning is puzzling at first glance since planning obviously involves decision making as well In this context it seems useful to review the nature of the planning process

Planning Process In the classical representation planning (like design) is thought of in terms of three components analysis, synthesis and evaluation Analysis is largely objective once a viewpoint or paradigm is assumed

Planning Paradigm The current viewpoint sees urban settlements as part of a rural-megalopolis continuum with its position in the hierarchy defined by the functions it performs and the command area or extent of influence that such functional specialisation exerts over other settlements (both upwards and downwards in the hierarchy) dispersed in geographical space Such economic and physical interchange at the macro level determines the content of urban settlements In the micro level urban settlements are seen as outcomes of the interaction of sub systems relating to among various others land use transportation and other infrastructure zoning regulations socio economic factors determining choice housing costs stock type pollution impacts A hierarchy operates at this level is well starting from site specific considerations These constitute the smallest pieces of the urban planning puzzle which must be matched in upward order (right through to macro level inter regional aspects) to produce a coherent picture The dynamic interrelation of these sub systems at the micro level defines the form of the urban settlement

Analysis This systemic view of urban settlements defines the tasks that comprise the analysis component of the planning process In very broad terms these are establishing the past and present status and the projection of alternative futures

Establishing past and present status in the systems format entails

- definition of sub systems
- identification of all factors (variables) known to have relevance to the sub system both in theory and through empirical studies
- estimating the extent (parameter co efficients) to which these factors influence the sub systems
- testing with actual data (fit) to obtain explicit testable re definable descriptions (models) of the sub systems
- identifying higher order interactions between sub systems (linkages), and finally
- understanding and capturing the interactions (dynamics) to integrate sub systems into composite systems

Projection of alternative futures involves tracing the consequences of a proposed intervention (plan) in terms of changes expected in the present status (short term) and then generally in the medium and long term For this task (simulation) two aspects are crucial First, of course, is the accuracy with which the dynamics of the composite urban system has been modelled It is possible to check this to a certain extent by testing (executed) interventions against time-series data going back to the past However, there is a second aspect which is independent of this process of testing and refinement through application to data This has to do with (structural) changes that occur over time Variables lose their influence or their significance necessitating both calibration (re estimation of parameter co efficients) and redefinition (choosing of a new more appropriate set of variables)

Synthesis Synthesis refers to the act of generating interventions (solutions) to meet proposed objectives which have been examined and refined after analysis Considerable confusion persists in planners' mind is to whether the synthesis of solutions follows automatically from analyses in some mechanical process The apprehension that it might is perhaps the reason that planners in India have been so tardy in utilising computer aided methods of analyses that have become routine around the world 10 years ago The fear is of course, that analytical method and computers will replace creativity judgment, sense of values, and the aesthetics (which have evolved largely from architecture) on which traditional planning rests

This confusion can be cleared and apprehensions laid to rest with a reference to the work which revolves around Kuhn and primarily Popper in Philosophy of Science He has argued conclusively against notions of induction (or abduction of Pierce's usage) and established that science is not merely a dull and semi passive activity of analysis and bare generalisation but 'untypical' unduplicable activity of creation He makes abundantly clear that scientific theories cannot be derived mechanically from masses of observation (data) or even from the law like generations that may be deduced analytically from such data—but are a product of the human mind, personal, creative achievements of an astonishing order

So also with Design J C Jones (to whom we owe the terms 'analysis' 'synthesis' and evaluation') goes on to state, 'The difficulty is that the imagination does not work well unless it is free to alternate between all aspects of the problem, in any order and at any time, whereas logical analysis breaks down if there is the least departure from a systematic step-by step sequence It follows

that any design method must permit both kinds of thoughts to proceed together if any progress is to be made"

In planning too, obviously the act of synthesis is creative and personal There is an additional element of uncertainty (subjectivity) because (as in Chadwick's view) planning is future oriented dealing with a continuous succession of situations which do not exist at the time the plans are made Moreover this future (after Esherick) may comprise both the known and knowable as well as the unknown and unknowable

It is worthwhile to remember that a plan evolves in time as well as in space This temporal dimension is of fundamental importance, and distinguishes planning from the related design disciplines An engineer or architect is able to appreciate the consequences of his decisions as soon as the project construction is complete A planner may not even witness the full consequence of his decisions in a life time The impact of an urban or regional level plan is so pervasive extensive and inestricably related to the old (state) that this out of lag is inevitable before the system has time to stabilise For some planning has more in common with ecological adaptation than normal industrial processes of design

Paradoxically precisely because of the complexity and uncertainties associated with ecological adaptation the need for analysis is even greater in planning While the power to foresee developments in an uncertain future to establish the planning context must remain partly subjective analytical techniques like modelling and simulation are the only means by which a range of possible consequences can be explored systematically and both interventions (plans) and this 'planning context (system description) examined and re defined In the absence of such a comprehensive analytical framework all planning is *ad hoc* and will inevitably result in consequences that are unforeseen "Planning in the abstract is a fruitless and delusionary exercise that leads only to temporally transient non systems (Wayne Myers personal communication) It is prudent even essential for a poor country with severe resource constraints to invest resources in and suffer through the tedium of thorough analysis Mistakes on paper are far less costly than in practice

Evaluation The final component of the planning process comprises both subjective and objective tasks The need for planning arises out of perceptions which are based on a value system Within this value system planning may have a limiting character under protective goals or an optimising character under maximising/minimising goals within given constraints The criteria for evaluation must derive from such goals and the attendant 'objectives (goals, in operational terms) of the planning exercise

Given the objectives the first task is to measure and compare the performance of all interventions (plans) in an economic and behavioural context This process is non judgmental, and can be largely achieved by application of land-use models The second stage is additional analyses in the general nature of cost benefit The third and final stage is readjustments based on the earlier analyses and then choice

Decision Making and Planning' It is, of course also possible that no choice is made The outcome of the planning process could well be to redefine objectives or even reconsider the goals These tasks involving the formulation of goals, assignment of priorities and ranking of objectives must precede another round of the planning exercise It is perhaps in these matters of meta value judgments (which are thought to transcend the domain of planning and enter the area of policy making) that the distinction can be drawn between decision making' and planning (refer to NCU recommendations Nos 74, 76)

This distinction is subjective and rests squarely on our system of government which assumes that there are fundamental issues too important to be left to planners These are entrusted instead to politicians and to a large degree (often by default) to bureaucrats Politicians have to respond to party and electoral imperatives and bureaucrats to overburdens of work load The basis of their judgments can be often hurried and at times biased Their decisions are likely to vary with time, changes of personnel in key positions and with political circumstance It is in the planners' jurisdiction, however to trace the consequences of such decisions and in appropriate cases make explicit with the help of objective defensible analytical techniques the underlying motives This is the only way to ensure that these fundamental value judgments and decisions are made with consideration and rationality and to prevent the interference of the motivated from subverting the good of the collective

(2) *The Content of an Information System*

Recommendation No 73 prescribes that two new data systems pertaining to land and the environment should be organised

It is significant that the *only* recommendation pertaining to the content arguably the more important of the three aspects (purpose content and procedures) should be so vague It effectively underscores the point that data (or an information system) cannot even be specified let alone assembled without reference to an analytical framework

Land and enviroment are catch all categories Elements in these two categories having clear reference to the context of urban settlements include infrastructure, land use/land cover, geology, soils, hydrology topography, meteorology, epidemiology and (a recent category) contaminants These have to be complemented by data on social and economic factors of known relevance to human behaviour and choice.

The systemic view (assuming general acceptance), imposes its requiremens of data It is beyond the purview of a conceptual paper to attempt to define a composite system and derive the data requirements from it However, the appended performance specifications excerpted from Britton Harris' *A Programme for Comprehensive Planning* may illustrate the dimensions of the task (Readers interested in further details are referred to a joint proposal of the School of Planning and Architecture, New Delhi, and the University of Pennsylvania on developing micro computer based planning systems for small cities of population one lakh which incorporates the Harris formulation)

(3) *Procedures for Acquisition of Information*

Five of the eight NCU recommendations deal with methods of acquisition Of these three (Nos 71 72 and 75), refer to existing data and procedures Descriptive data on many aspects already exists in varied forms of uncertain quality, with diverse agencies, mainly for the purpose of revenue and records The poorness of the quality of this micro level data obtains because planning in India is presently conducted largely in an aggregate information context This has produced policy debate and 'speculations' relative to the future Objective guidance regarding the consequences of policy alternatives requires development scenarios to be played out at the site level These have never been called for Thus there has been no attempt at collating the data from various sources in a common bank converting them to a common basis for consistency and checking them for accuracy

Recommendation No 71 specifies that national level data should be spatially disaggregated While this is an obvious requirement the present data is not likely to be useful for micro level planning Problems of quality will remain

Recommendation No 72 specifies that access to data at source should be made easier This refers obliquely to the need for an informational infrastructure In Myers' view (op cit) Building maintaining, and utilising such data bases requires informational infrastructure in the same way that development requires transportation infrastructure Major components of such information infrastructure include trained personnel, facilities for data capture, conversion and updating computer hardware and software for data storage, retrieval and analysis, and provisions for data flow both upward and downward in the planning hierarchy" A start has been made on a massive scale, but already there are signs of a lack of coordination of the efforts of the NIC, DRDA and department of statistics, who are providing computers at the district level under the seventh plan

Recommendation No 75 which specifies the use of normal administrative processes, should be kept in mind, while implementing an information system This is very important For data gathering, maintenance and systematic updating on a large scale in India

it would be prohibitively expensive not to use the existing administrative apparatus Old British procedures of settlement-based records keeping, which have fallen into disuse because of centralisation of planning practices (with an attendant shift of emphasis to 'sectors' and 'programmes') in the last 40 years, have merely to be revived And personnel, of course, trained in modern methods The focus of this effort has to be on planning system performance and operationality rather than simple existence A non functional information infrastructure will be another massive drain on our resources

For implementation of a planning system Harris recommends that elements of a Geographic Information System (GIS) including a mapping capability and related data files should be prepared first together with data input capabilities which would permit users to begin immediately on the collection of data and testing the visual potential of the system Recommendation No 77 specifying the use of remote sensing endorses this idea The government of India has already made a start by funding for the last two years the commissioner of land records Gwalior to computerise all land records of one district Again this development is compartmentalised There is no attempt is yet to compile composite multi factor thematic information on this site specific data base India cannot afford this approach The hardware and software to retrieve imagery and photographic inputs and then rectify and digitise them for automated cartography costs crores of rupees These cannot be replicated *ad infinitum*

Although the first impression of map oriented planners is usually to equate the potential of GIS to automatic cartography the capability for quantitative analysis of spatial data is even more significant Accordingly the second stage of implementation should be concerned with the development of analytical capability This is essential for integration of the GIS into a composite system for planning

The subsequent steps in the implementation of a composite planning system are inclusion of some locational models like retail trade Next cost analysis and transport analysis could be developed simultaneously This would be followed by the sequential installation of location/allocation models and finally by evaluation methods This sequence assures that the users encounter the most familiar and simplest aspects of the system first and progress in a step wise fashion to the more unfamiliar and more complex

The means of implementing such systems through pilot projects are proposed in recommendation No 78 However, to reiterate finally, the development of an 'information system' cannot be independent of the development of a 'planning system' The pilot projects have to incorporate both tasks.

NOTICE

It is hereby notified for the information of the public that J K Industries Limited proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under sub section (2) of Section 22 of the Monopolies & Restrictive Trade Practices Act 1969 for approval to the establishment of a new unit (a company in the joint sector) the promoters whereof being Tamil Nadu Industrial Development Corporation Limited (TIDCO) in the public sector and J K Industries Limited (JKI) in the private sector to implement the Letter of Intent already held by TIDCO Brief particulars of the proposal are as under

1 Name and address of the applicant — J K Industries Limited Link House 3 Bahadur Shah Zafar Marg New Delhi 110002

2 Capital structure of the applicant organisation

	Preference Capital (Rs /Lacs)	Equity Capital (Rs /Lacs)
Authorised	250 00	1750 00
Subscribed	103 83	1404 11
Paid up	103 83	1404 11

3 Management structure of the applicant organisation indicating the names of the Directors including the Managing/Whole time Directors and Manager if any

The Company is managed by the Board of Directors consisting of -

Shri Hari Shankar Singhania Chairman
Shri Raghupati Singhania Managing Director
Shri Arvind Narottam Lalbhai
Shri Arvind Singh
Shri Bakul Jain
Shri Bharat Hari Singhania
Shri K Padmanabhan
Shri Lalit Mohan Thapar
Shri Om Prakash Khaitan
Shri P B Mathur
Shri Pratap Sinh Navlakha
Shri Ram Swaroop Agrawal
Shri Yatindra Singh

4 Indicate whether the proposal relates to the establishment of a new undertaking or a new unit division — A new unit (Joint Sector Company) promoted by TIDCO and JKI

5 Location of the new undertaking/unit/division In one of the backward districts in the State of Tamil Nadu in consultation with TIDCO

6 Capital structure of the proposed undertaking — Equity Capital Rs 25 crores; TIDCO (26%) Rs 6 50 crores; JKI (25%) Rs 6 25 crores

7 In case the proposal relates to the production storage supply distribution marketing or control of any goods articles indicate

(i) Name of goods/articles — Penicillins

(ii) Proposed licensed capacity — Letter of Intent already held by TIDCO for manufacture of 800 MMU p a of Penicillin G and 200 MMU p a of Penicillin V

(iii) Estimated annual turnover — Rs 52 crores 100% capacity utilisation (Ex factory net of Excise)

8 In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value in come turnover etc — Not applicable

9 Cost of Project — Rs 68 00 crores

10 Scheme of finance indicating the amounts to be raised from each source

	Rs in Crores
Bank /Financial Institutions	
Rupee Loans	38 20
Foreign Currency Loans	4 80
Equity	
Promoters	12 75
Public	12 25
Total	68 00

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India Shastri Bhavan New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein

for J K INDUSTRIES LIMITED
Sd
M V S MURTY
Vice President (Co Matters) & Secretary

Place New Delhi
Date The 16th day of August 1989

Appendix

Harris A Programme for Comprehensive Planning

A—Summary of System Functions for Comprehensive Planning

A *System Functions*

A1 *General System functions*

System management and user interface

- Prompts the user
- Invokes other system functions
- Checks consistency of user actions
- Protects and saves data
- Accommodates addition of new modules to the system

Data entry procedures

- Accept and organise all data inputs including map data
- Check input consistency and reject or correct inconsistent data

Output procedures provide assistance in

- Report writing
- Formating tables
- Outputting charts graphs and maps

A2 *Geographic Information System (GIS) Functions*

Sketching (optional) supports

- Sketching proposed buildings and neighbourhoods
- Assimilating previously prepared or standardised sketches
- Calculating site coverage floor areas and building volumes
- Passing data and information to mapping facilities

Mapping

- Accepts prepared map outlines and changes
- Accepts user defined small areas and transport links
- Linkage to data base permits production of interpretive maps
- Land uses and transport networks can be mapped

Data base management

- Data base is keyed to areas and transport links defined in maps
- Aggregation and some disaggregation of data is supported
- Aggregation can be over areas or over categories
- Data can be statistically analysed

Standard spread sheet and statistical functions

- Support modules dealing with cost analysis and evaluation

A3 *Modelling Functions*

Location/allocation models for projection and evaluation

- Housing, retail trade and services offices public facilities

Transport models

- Least cost routes trip generation assignment modal choice, trip distribution congestion analysis

Air and water pollution

A4 *Other Decision Support Functions*

Cost analysis

- Infrastructure road water supply drainage, etc
- Structures residential commercial industrial public facilities
- Site preparation

Evaluation and decision analysis methods

A5 *Functions Performed by Centralised Agencies with Local Co operation*

Map definitions and digitising

Map and network plotting—black and white or colour

Assembly of national and regional data on

- Unit costs for plan elements
- Planning standards and requirements
- Behavioural parameters in transport and land use or location

Projections into the future of

- Levels of productivity and income
- Patterns of expenditure on goods and services
- *Levels of public services*
- Local population and economic activity
- Technology and space requirements

B—Urban Facilities Provision

B Needed Urban Facilities

The following is a tentative checklist of the facilities which must be provided for in a plan, and for which the planning effort must provide estimates of demand, decisions on levels of service, proposals for zoning and control, and calculations of cost and (possibly) benefit There is a broad division between land using and other facilities Further disaggregation is required wherever the activities differ in their requirements, costs, and impacts

Land using facilities

1 Agriculture, forestry fisheries quarries, mining, etc
2 Construction (management storage of equipment and materials)
3 Manufacturing by category
4 Warehousing
5 Transport facilities canals, roads railroads, airports garages terminals of all kinds, yards
6 Electric generating and distribution stations
7 Water and sewage storage, pumping treatment
8 Dumps landfill, incinerators
9 Shops and shopping centres
10 Offices of all types
11 Educational facilities of all types
12 Health facilities
13 Public safety facilities police, fire, ambulance, etc
14 Parks playgrounds and sports facilities
15 Housing

Other facilities

16 Underground sewage and water systems
17 Underground gas supplies
18 Electricity supply
19 Telephone lines
20 Underground transport and walkways (see 5)

C—Inputs and Outputs of Data to and from Models

Variables \ Model	Transport: Shortest Path	Airline Distances	Trip Generation	Trip Distribution	Choice of Mode	Vehicle Assignment	Congestion	Locational: Accessibility	Facility Location	Residential Location	Other: Pollution Impacts	Construction Costs	Utility Costs	Transfac Costs
Transport links	I					I/O	I/O						(I)	I
Network nodes	I													
Paths by back nodes	O					I								(I)
Node XY coordinates														
Interzone network costs	O				I			I						
Interzone airline dist								(I)			(I)			
Accessibility measures			(I)					O						
Interzone total trips				O	I				(O)					
Interzone trips by mode					O					O				
Trip origins			O	I										
Trip destinations			O	I										
Land uses/Activities			I						I/O	I	I	I	I	
Land uses/Residents			I						I	O	I	I	I	
Zoning restrictions									I	I		(I)		
House types by zone											I			
'Rent' or control var										I/O				
Pollution impacts											O			
Construction unit costs												I	I	I
Total precinct costs												O	O	O

Code for cell entries I = Inputs, O = outputs, ( ) = Optional

Hindustan Lever Limited

Bombay Factory Re-opens

Lockout lifted

THE gates of Hindustan Lever s Bombay Factory which had remained closed since June 21 1988 when the Company s first ever lockout came into effect have re-opened

The re opening of the factory is a sequel to the announcement made by the Company on June 22 1989 that the lockout would be lifted the following day in respect of those employees who were willing to provide an honest assurance for productive and disciplined working through individual agreements under the provisions of the Industrial Disputes Act The lockout however continues for those who have not provided such an assurance A notice making this announcement was displayed at the factory gate and was also published in various newspapers

The Company s unilateral decision to lift the lockout as described above was in response to repeated appeals from a large section of the affected workmen who seeing through the reasonableness of the conditions sought by the management to lift the lockout were quite prepared to accept them and return to work The workmen already financially hardpressed faced greater difficulties with the re opening of schools colleges after the summer vacation and the onset of the monsoons and had also sought the State Chief Minister Mr Sharad Pawar s personal intervention

The framework for an amicable resolution emerged after a series of meetings convened by the Chief Minister and the State Labour Department At these meetings the workmen s representatives sought compensation for the lockout period this totally unreasonable request was rejected by the management

The workmen s representatives expressed willingness to accept other preconditions such as need based deployment maintenance of productivity norms and discipline unhindered introduction of technology and modernisation for improving quality productivity and factory operations strictly in accordance with the needs of the marketplace They were also prepared to offer an honest commitment against indulging in go slow and other disruptive practices The State Government cautioned the Union against any future go slow The Government warned that it views work disruptions very seriously and the Company would receive whatever permissions it required if the workmen ever reverted to any of their past disruptive ways

The Chief Minister persuaded the management not to insist on a written agreement on proportionate wage cut in the event of a go- slow He also suggested that the workers who provide an individual undertaking and return to work may be given an interest free recoverable loan to alleviate their hardship The management agreed to both these suggestions made by the Government Dropping the demand for proportionate wage cut was in spite of the fact that the Industrial Court had held that in view of the union s track record the management was quite fair in seeking an assurance on proportionate wage deduction in the event of a go slow The Company has extended to the workers rejoining the factory an interest free loan of Rs 10 000 which will be recovered over a twelve month period

According to the agreement reached further wage improvements would be discussed after a settling in period of one year however such wage improvements will be predominantly productivity linked The union and the workers who were interested in a bipartite resolution saw no point in pursuing the lockout related court cases those pending in the courts will be withdrawn by both parties and no fresh litigation will be initiated This will also prevent the ferreting out of union funds

While there would be no retrenchment for those who chose to voluntarily leave the services of the Company the social security and resettlement scheme would be made available for a further period of six months in response to the request made by the union The total benefit to the employees under this scheme ranges between 70% to 100% of their salary in addition to the normal retirement benefits such as Provident Fund and Gratuity The principal features of the agreement under the given circumstances have protected the interest of the Company s various stakeholders

Following the discussions and agreement reached in meetings with the Maharashtra Government the Union representatives sought time of 24 hours (which was later extended by 48 hours) to convey their formal agreement on the plea that they wanted to explain the terms of the proposed agreement to the employees In keeping with its previous record however the Union failed to ratify the agreement even after the extended period lapsed

Meanwhile the Company continued to be inundated with feelers from employees who were keen to return to disciplined and productive working In view of the developments described above the Company decided to unilaterally lift the lockout based on the agreement committed to the State Government The vast majority of employees have responded promptly to the Company s gesture each one of them assuring the management through a formal agreement under the Industrial Disputes Act of their honest commitment to productive and disciplined working in a manner consistent with the dignity and self respect of all concerned and the sustainable viability of the factory

Work preparatory to the start up of the various manufacturing sections is currently on in full swing and the initial batches of certain products have begun to roll out of the factory Wherever the nature of operations is based on continuous process the wheels of production will begin to hum in about two to three weeks

Interestingly apart from the Rs 10 000 interest free advance the employees who have resumed duty have benefited in another way As a result of the formula governing dearness allowance (DA) escalation which provides far more than 100% neutralisation of the increase in the cost of living index the workmen s wages have gone up in spite of the lockout by between Rs 100 and Rs 260 per month

Contrary to the mischievous propaganda in certain quarters that the lockout was aimed at teaching the militant Union leaders a lesson the stark reality is that the Company lost production valued at over Rs 300 crores during this period while the employees lost wages to the tune of Rs 16 crores The Company continued to service the interests of its consumers and shareholders thanks to the excellent cooperation received from its employees at the other factories all over the country

Repairing a damaged industrial environment is no easy task However now that the lockout is an event of the

past the management hopes that the resumption of normal operations will provide a climate which will restore to the factory a harmonious working environment based on the mutuality of interests it shares with the employees The Bombay Factory team should now work with renewed vigour towards an era of greater productivity which is vital for the factory s sustained working in the face of a liberalised economy and a highly competitive marketplace

The Background

Hindustan Lever has traditionally enjoyed harmonious relations with its employees a total of nearly 10 000 at its various factories The Company was among the first manufacturing organisations in the country to enter into long-term wage settlements with recognised trade unions

Bombay Factory is the Company s oldest and largest Set up as a small unit in 1932 it currently employs about 2 500 persons and produces almost the entire range of the Company s products laundry and toilet soaps synthetic detergents vanaspati personal care products and glycerine

For the first time in its long history Hindustan Lever had to declare a lockout at Sewri from June 21 1988 This was the culmination of a series of events over a number of years which had cast a shadow on the factory s long term viability

What trade unions have perhaps failed to realise is that the appalling inefficiencies indiscipline and poor work ethics which may not have been as pernicious in the days of shortages and controls stand painfully exposed as major weaknesses in today s industrial environment and marketplace which is characterised by liberalisation and heightened competition Market forces are now compelling modernisation productivity improvement and value addition efficiency like never before Thus unless organisations accord importance to the key tasks of productivity improvement and cost control the door to industrial sickness will remain wide open

The declaration of a lockout is an extremely painful decision to take for any management Hindustan Lever however, realised that any delay in attempting surgery of this nature entailed the risk of rendering impossible the task of reviving the factory s long term viability besides the malaise could well spread The lockout at the Bombay Factory has to be viewed in that light

The roots of the problem can be traced to the last (1983) wage settlement which expired on June 30 1986 Under one of the terms of this settlement, the workers had agreed to perform at a higher level of productivity and cooperate in the modernisation scheme This was important because the Bombay Factory wage bill had shown a steep rise although its productivity was much lower compared to the levels prevailing at the Company s other units

Thus Bombay Factory took 38 manhours to produce a tonne of toilet soap on a modern packing line compared to around 18 manhours per tonne in our other units with older generation equipment and machinery Likewise while other units took 12 manhours to produce a ton of detergent bar Bombay required 38 manhours

The two key issues therefore were the Union s demand for higher wages and the management s concern about rampant indiscipline and declining labour productivity

Is Hindustan Lever a fair employer?

To answer this question you might be interested to know that the remuneration welfare facilities and working conditions provided to Hindustan Lever employees at the various units are among the best in their respective regions

Consider the case of the Bombay Factory employees In January 1987 their wages ranged between a minimum of Rs 2 250 per month for unskilled employees and a maximum of Rs 6 800 per month for technical and clerical staff During the thirty months when negotiations were in progress the average wages increased automatically by Rs 400 to Rs 1 100 per month due to a most generous DA scheme which provides over 100% neutralisation of inflation even at the high wages prevailing in the factory The last twelve months (July 1988 to June 1989) have witnessed a further rise in DA of between Rs 100 and Rs 260 per month

Wages trebled during 1978-87 rising at the rate of over 15% every year since 1982 Unfortunately while wages skyrocketed by 300% during those ten years productivity dropped by a fifth and the output per employee dipped sharply by 22% As a matter of fact the productivity of Bombay Factory is the lowest in the Company despite

— a well designed programme for upgrading skills and employee training

— a Rs 30 crore modernisation drive (for improving production product quality energy cost and safety) and

— the highest wages among all other units

The escalating wages and operating costs had by now seriously endangered the factory's health The return on capital employed dropped by 26% between 1985 and 1987 The breakeven point rose sharply from 60% in 1985 to 70% in 1987 Wages which accounted for 37% of the profits in 1985 increased to 46% in 1987 If this trend were to continue unchecked wages would have wiped out the entire profits derived from this unit by 1993

Why is labour productivity so low in Bombay Factory?

Despite the high capital investment (Rs 30 crores in the last few years) on modernisation and productivity improvement measures these had failed to bear fruit due to crippling go-slows and frequent work disruptions resorted to by the workmen at the behest of the Union leadership

Contributing in no small measure to this depressing scenario was the persistent refusal of the Union to cooperate and participate in modernising and rationalising factory operations

Some typical examples

The Union refused to cooperate in producing the consumers preferred choice of packing vanaspati in laminated pouches and polyjars instead of traditional tins It refused to pack shampoos in pre-printed plastic bottles instead of old fashioned glass bottles Similarly it opposed using laminated tubes for toothpaste instead of the traditional aluminium tubes and even a change in the detergent bar pack size from 125 gm to 250 gm The Union was thus blocking the management s basic right to manage factory operations

What s more as a result of the Union s instigation the employees gradually reduced their working on the shopfloor to just 2 3 hours per day They refused to comply with the normal work-related instructions and many even abstained from the training courses designed to enhance their knowledge and improve their skills

All this resulted in an unabated rise in wages while the factory experienced a sharp decline in labour productivity Under these circumstances the viability of Bombay Factory suffered steady erosion

Why the lockout?

The employees Union submitted a new charter of demands in July 1986 The charter contained a total of 36 demands involving for the Company an additional financial burden of over Rs 7 000 per worker per month Some unusual demands in this charter include an unemployment allowance for the children of employees a hill station picnic allowance reduction in working

ADV1

hours, and additional leave As usual, the Union's charter sought a steep wage hike without any commitment to raising productivity

In the course of the negotiations the management stipulated that a substantial portion of the wage increase would have to be matched by productivity improvement But even as talks between the management and the Union were in progress the Union activists started a well planned agitation to coerce the management into conceding its demands through unrelenting militant tactics

A go slow launched from January 1987 was accompanied by 56 incidents of flash illegal strikes and 45 occasions of work stoppages -- all in violation of the ad interim injunction of the Industrial Court The result? Production dipped to uneconomic levels The workers also put up obscene posters and effigies and abused factory managers virtually every day

Matters came to a head when the Mathadi workers in total defiance of the Mathadi Board Chairman's directive to call off their own go slow begun in March 1988 suddenly struck work on May 25 1988 at the instance of the extremist Union leaders crippling the entire factory operations due to accumulation of stocks The permanent employees refusal to cooperate in the removal of accumulated stocks brought factory operations to a standstill

That was the last in a series of acts of indiscipline and frequent work stoppages by the Union which had by now rendered the factory totally unmanageable the management therefore had no option but to give notice of a lockout A proposal for averting the lockout was conveyed to the Union even at this late stage but without any response Simply stated what the Company had asked for is a fair day's work (not mere presence at the work location) in return for a fair day's wages

The aim of the Union activists now seemed to be clearer It was not to protect the interests of the employees but to paralyse the working of the factory and create chaos and anarchy Since all efforts to restore normalcy bore no fruit and in view of the unbearable loss in production and rampant indiscipline enforcement of the lockout became inevitable Even so the management took upon itself the task of reviewing the position at six weekly intervals in a bid to determine whether conditions had materially improved based on which extensions of the lockout were announced

Both before and after the declaration of lockout the State Labour Department met representatives of the management and the Union on several occasions in a bid to break the deadlock No breakthrough was possible however in view of the Union's persistent refusal to even consider the management's proposal to revive the factory

In actual fact the proposal was largely a reiteration of the standing orders and service conditions governing the employment of workers at the factory By their very nature those provisions are taken for granted by factory managements under normal circumstances

Courts Vindicate Company's Stand

The Union had been claiming in various fora that it had submitted the assurances desired by the management The reality however was different and this was documented by the Industrial Court Bombay in its judgement dated November 25 1988

Disposing of an interim application filed by the Union the judge observed that the workers had not been willing to provide the management with meaningful assurances relating to disciplined and productive working The court verdict also rejected the Union's contention that the workers were willing to work and that the Company had not been prepared to provide work for them

In another case the Industrial Court Maharashtra held that extensions of the lockout by the management did not amount to a new lockout but were in fact a continuation of the original lockout The same court had earlier upheld the original lockout as legal and valid

Overruling the Union's contention that the lockout extensions were for new and different reasons and that each extension called for a separate statutory notice the court held that the Company had acted in a responsible manner by taking upon itself an obligation which it was not obliged to under the law to periodically review the situation to decide whether the lockout needed to be extended or called off if the workmen were prepared to submit meaningful assurances that would enable the factory to recommence operations on a viable and sustainable basis

The judge observed that the reasons for which the lockout had started had not yet come to an end He also noted that the Company had declared the lockout because the workers had not observed discipline and not given normal production thereby causing the Company heavy losses Referring to the repeated breach by the Union of the assurances it had provided to the statutory authorities in the past the judgement recorded that what the management had sought was meaningful assurances, and not hollow assurances

The court also held that the Company's proposal to resolve the lockout based on a proportionate wage reduction in the event of wilful go-slow did not amount to a unilateral change in the terms and conditions of service since that was subject to acceptance by the Union and the workers

Why the lockout continued so long

In the ultimate analysis the intransigent stance of a handful of Union activists unnecessarily prolonged the period of hardship for the employees If the Union had been sincere about resolving the dispute all it had to do was accept the Company's proposal and end the hardship and agony of the workers and their families

Observing that the Union did not appear concerned about their well being, several workers in personal difficulties approached the management for help in various matters In keeping with its tradition the Company took a sympathetic view of their problems and worked out a social security and resettlement package which was voluntary -- both for the employees as well as the management The total benefit to the employees ranged between 70% and 100% of their salary in addition they got the normal retirement benefits such as Provident Fund and Gratuity More than 550 employees availed of this package and some more are expected to do so now that it has been re introduced for a period of six months

According to available evidence another factor for the prolonged stalemate was the liberal funding of the extremist elements in control of the Union leadership by local and overseas sources Masquerading as journalists and tourists their contacts in Western Europe visited India for discussions with them Prominent among them were Mr Critt Pingen and Mr Piet Blanken belonging to the largest trade union federation in the Netherlands These organisations seem to have a vested interest in destabilising the working of companies in developing countries Companies which are major exporters are a prime target for them since exports by such companies curtail their own employment opportunities at home

There was also the matter of restoring faith The management had lost its confidence in the internal leadership of the Union since it had gone back on every assurance given to the management and also to the courts

A classic case is the 1983 settlement

where the Union had agreed with the management to cooperate on modernisation and redeployment of workers as a part of the overall agreement on its charter of demands The management had honoured its part of the deal by implementing the wage increases etc but the Union reneged on all its obligations and on the contract it had signed

SUMMARY

Hindustan Lever unilaterally lifted on June 23 1989 the lockout at its Bombay Factory The management took this positive step as a part of its social responsibility in response to the repeated appeals made by the affected employees who had expressed their desire to resume work and pursue gainful employment after offering meaningful assurances An end to the lockout the Company s first ever came after an agreement was arrived at in the presence of the State Government officials and the Chief Minister Mr Sharad Pawar

The management had been compelled to declare the lockout in June 1988 following a long and protracted go-slow rampant indiscipline work stoppages and frequent disruptions which had endangered the very existence of the establishment and consequently jeopardised the continued employment and well being of the factory employees

The lockout which extended over a year benefited neither the management nor the employees since the Company lost production valued at over Rs 300 crores while the employees lost wages to the tune of Rs 16 crores However in keeping with its tradition of fair play the management offered a need-based social security and resettlement package for the employees social and economic well being This package has been re introduced for a period of six months

The Company s stand has been vindicated by the courts which ruled that the original lockout and the subsequent extensions were legal The courts held that the Company had acted in a responsible manner that the reasons for which the lockout had started had not yet come to an end that the Company was seeking from the Union and workers meaningful assurances not hollow assurances and that the Company s proposal for a proportionate reduction in the event of a willful go-slow did not amount to a unilateral change in the terms and conditions of service

The resumption of factory operations is currently in progress The highly paid employees who have got back their rightful employment will have to extend wholehearted cooperation in the management s key task of reviving the factory s viability for which flexibility of operations based on market needs and redeployment of manpower will be prime features

In the current industrial scenario which is characterised by a liberalised economy and a competitive marketplace there can be no future for organisations which fall back on productivity and cost control measures The trade unions will have to wake up to the reality that in the changed environment appalling inefficiencies and poor work ethics which may not have been as evident in the days of shortages and controls will if allowed to go unchecked contribute to industrial sickness and the demise of even well established organisations

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View from Washington

G P Deshpande

The Soviet Union, Eastern Europe and the Third World edited by Roger E Kanet, Cambridge University Press, 1988, pp xvi + 233, £ 25 00, $ 39 50

THERE are ten essays in this volume. They are selected from among those presented at the Third World Congress for Soviet and East European Studies held in Washington from October 30 to November 4, 1985 The book has been published in June 1988 The fact that these essays were written in 1985 would make this book essentially a pre Gorbachev work It is surprising that the editor has not found it necessary either to reorient these analyses to the changes being brought about by Gorbachev or to include a separate essay reviewing the Gorbachev phase Kanet himself touches on a few changes in passing but his major thrust seems to be that the Gorbachev attitude to the third world amounts to no more than the expression of "sympathies for the aspirations of people who are attempting to overthrow the yoke of neo-colonialism' Not that he is very wrong But this thesis needed more detailed arguing and by late 1987 or early 1988 when the book must have gone to the press, a good deal of material was available In the circumstances Gorbachev gets precisely four references in the book and just one specifically for his foreign policy

The ten essays in this volume are divided into three sections The first consisting of five essays, discusses the third world in Soviet foreign policy The second consisting of three essays, relates to CMEA economic involvement in the third world The last consisting of two essays reviews Soviet foreign policy toward Syria in the Andropov era and the Indo Soviet security relations

Kanet in his fairly detailed essay on the Soviet Union and the third world seems to base his reading on the assessment that the Soviet Union 'is capable of projecting military political, and economic power in most regions of the world" Military involvement from Angola to Afghanistan does give that impression Yet what Rajen Menon said in an earlier volume edited by Kanet—and Kanet cites him without disapproval—is probably closer to the truth Rajen Menon cautions against exaggerating the ability of the Soviets to project military power in the face of US competition" (p 20) One way of describing Gorbachev s initiatives may well be that what Brezhnev saw as possibilities in terms of power the present Soviet leader sees as limitations It is possible therefore that in power terms Gorbachev's Russia could do little more than expressing 'sympathies for the aspirations of people who are attempting to overthrow the yoke of neo-colonialism" (p 14), a hypothesis which as has been pointed out above, Kanet clearly does not take into account

Kanet does point out however that Iuri Andropov had already voiced considerable scepticism about the benefits of extensive involvement in the third world He also warns that it is essential to recall that the growing costs of Soviet overseas commitments occurred precisely at the time that the Soviet economy was suffering from falling economic growth rates (p 15) Yet in spite of this he makes the observation that there is no evidence that Gorbachev and his associates are likely to initiate a policy of withdrawal from prior commitments This only means that Gorbachev and his associates are more imaginative than the American political scientists happen to be.

Elizabeth Kridl Valkenier's assessment is closer to reality Her essay analyses Soviet specialised writing on the third world It is a pity that not much on these lines has been attempted in India A section of the leftists here seem to think that as the Soviet Union has fallen from revolutionary virtue it does not require close looking at The other section probably thinks that there have not been any more than some tactical changes in the CPSU's attitude and as such they need only endorsement For the latter section in particular Valkenier's essay may be of some help Her conclusions about "the evident pessimism and the attendant scaling down of the former support for radical solutions" (p 36) and about the changes in the Soviet perspective spelling out "some positive promise for Soviet American relations" (p 37) might serve as useful reminders that all is not well with the Soviet view of the third world

Martin Katz's piece on anti-Soviet insurgencies is a typical second cold war piece of writing His view of the world is so outmoded that he does not seem to believe that Pol Pot's record in Cambodia is worth brooding over In the year of our grace 1989 it is amusing to read the confident assertion that the Afghan rebels cannot defeat the Soviets and the fighting is likely to continue for a long time to come. Presumably because of that, the [Afghan] regime would be quickly overthrown without the presence of Soviet troops (p 52) I suppose it is not necessary to comment on that

Paul Roth's essay on the Soviet Union and the NWIO is also of cold war vintage. The second cold war initiated by Carter has encouraged a curious writing which has prompted Roth to conclude his article with what he calls "satirical paraphrase" — "A spectre is haunting Europe—the spectre of a worldwide free flow of information All powers of socialism have centred into a holy alliance to exorcise this spectre" (p 82) Well, Gorbachev and the editors of *Moscow News* are determined to prove him wrong But perhaps that is not the issue. That this statement could be made in a book that must have gone to the press in late 1987 or early

INDIAN ASSOCIATION FOR THE STUDY OF POPULATION

CHANDRASEKARAN AWARD

The last date for the receipt of essays for the essay competition being conducted for the above award has been extended from 30 6 89 to 31 10 89 The Indian Association for the Study of Population has invited essays on Family Planning and Womens Status in India from young scholars (not exceeding 40 years of age) all over India who are doing work in population and allied field The essay should not exceed 5 000 words It should be typed on quarto size paper in double space with enough margin on both sides of the paper Essays should be sent to **Prof M K Premi, General Secretary, Indian Association for the Study of Population, C/o Centre for the Study of Regional Development, Jawaharlal Nehru University, New Campus, New Delhi 110 067**

The best adjudged essays will be awarded the first prize of Rs 1 500/ second of Rs 1,000/ and the third of Rs 750/

M K Premi
General Secretary
IASP

1988 is amazing indeed Whether or not the Soviet government has done it, Paul Roth seems determined to "shield his citizens against information and opinions from abroad" (i e, the Soviet Union) (p 71)

Kanet's piece on the Soviet propaganda has likewise a disadvantage. It was first presented in a conference in Washington between June 25 and 27, 1985 It is not clear what has been revised since. Kanet makes an amusing difference between propaganda and disinformation He then goes on to further classify propaganda It would appear, however that Gorbachev has made most of this discussion less than relevant For somebody who does not take note of the changes Gorbachev has brought about it would be too much to expect that he would see a difference between a Brezhnev and an Andropov When your historical vision is so weak you are bound to follow Karen Brutents in seeing the overrated worldwide importance and revolutionary role of the national liberation struggle (p 91) In fact the paradox is that *today* Gorbachev himself might be arguing that However that does not make Brutents version historically right It merely demonstrates the thorough and complete unpreparedness of the academic establishment to anticipate and as in this case to come to terms with the changes which a clever statesman like Gorbachev (or even Andropov and Chernenko earlier) introduces from time to time No wonder then that Kanet finds the Soviet experts argument that the United States is invariably allied to the local forces of reaction and aggression as incomprehensible! He thinks that the US was connected with a theological dictatorship like Zia's in Pakistan or semi facism of Pinochet in Chile repression of Chen Du huan in South Korea are all presumably a part of the Soviets regular attempt to tie the United States to these regional forces (p 98) It might be difficult to locate a CPI intellectual mouthing such simplicities about the United States!

One can go on in this vein We shall conclude this review with a reference to the last essay on Indo Soviet security relations Even this essay is partially affected by the general thrust of the book Jyotirmoy Bannerjee says right at the beginning of his essay that "though both India and United States pride themselves as being democracies they apparently find it easier to deal with non democratic regimes than with each other (p 212) This is a strange statement to make Certainly Nehru's and Indira Gandhi's India had no difficulty with any democratic regime To put the American and Indian record on par in this regard is the most extraordinary Indians have maintained excellent relations with nearly all democracies They certainly have not backed a Pinochet or a Chen Du huan

That apart, Bannerjee's essay is a well documented piece of writing He is able to see "the left political use" in domestic politics that Indira Gandhi made of the relationship with the Soviet Union His analysis that she wanted to oppose the United States, Pakistan and China on the international political plane rather than from an automatic pro-Soviet orientation (p 219) seems much more realistic than what the earlier essays had offered It is not clear, however why Indira Gandhi would want to oppose the United States and what indeed are the indications of such an opposition Here in New Delhi one gets the impression that the successive Indian leadership are doing everything possible to take the Americans along It is they who decline. That's why the Japanese and the Germans and the Russians are doing better in India Fact of the matter is that quite often the Americans take an 'ideological' view of the world and a practitioner of real politik like Indira Gandhi is misunderstood in Washington Because there they think that it is *their* right to play real or ideological politics and that the rest of the world must accept it In a way that is the problem of this volume too

A Critique without Prescriptions

B M Bhatia

Strategic Issues in Pakistan's Economic Development by Akmal Hussain, Progressive Publishers, Lahore 1988, pp 397 + xvii-xxxviii, Pak Rs 300

EXCEPT for the Introductory Essay written specifically for the publication under review the rest of the book is a collection of the author's research papers and articles written on different occasions and for different purposes in the last few years The papers deal with different aspects of Pakistan's economy and issues relating to the management of that economy In the circumstances of it being a collection of disparate writings it is natural for the book to lack coherence and continuity There is also a certain degree of annoying repetition of the same points in different parts of the book All the same the book is not without its merits Some of the pieces included in it not only make interesting but even rewarding reading

Apart from the long introduction which deals with Pakistan's growing problems of fiscal imbalances deteriorating balance of payments situation, mounting public debt and debt service charges and the adjustment programme that Pakistan is obliged to undertake to the detriment of the interests of its own economy under the conditionality clauses imposed by IMF/World Bank as a pre condition to grant of financial accommodation to the country the book has four parts Part I deals with the present state of Pakistan's economy and the policy options facing it Part II studies technical change its nature and impact Technological change in this part is studied in the context of the agricultural sector and the rural economy The focus is on rural Punjab Part III is devoted to the study of employment problems Here again attention is concentrated on agriculture and its potential for greater labour absorption to mitigate the growing unemployment problem in the country The impact of labour migration to the middle east on the domestic labour market is also discussed in this part The last section of the book is historical It traces the genesis of the Pakistan movement during the last phase of India's freedom struggle, the class composition, and ideology of the Muslim League's leadership and the evolution of Pakistan's society since birth This part brings into clear relief the dominance that a well-knit civil military bureaucratic elite has come to acquire in the country and the resulting undermining of the civil society

A beautiful Punjabi poem of Najam Hussain Syed printed (in Persian script) on the front page sums up the central theme of the collection in this book In its free translation the poem reads On a hot summer night a wind blows out of the far off unfathomable ocean which says the end of summer is not far off Humans suffering from it may feel oppressed and helpless but I cannot be bound down by the oppressor I am coming and the end of stifling and oppressive summer is not far off' Allegorically what the author wants to convey is that though Pakistan may be faced with overwhelming economic difficulties and problems at present and the picture of its economy may look dark there is hope that winds of change may yet come. Unfortunately the author nowhere in the book spells out the policy package he would like adopted to extricate the country from its present mess The book is more a critique of the official policies and actions in Pakistan than a constructive professional study offering policy suggestions for setting things aright

In the first part the author discusses the question of the high growth rate of over six per cent per annum that Pakistan has achieved during the first ten years of Zia's rule and the sustainability of the growth rate He finds that "all the strategic variables and sectors through which growth is sustained seem to show a declining trend" Domestic savings rate which is around four and a half to five per cent of GDP, the growth rate of fixed investments which ranges between 16 5 and 17 per cent, the low growth rate of exports and the growing share of services which now exceeds 50 per cent in the composition of GDP are the examples quoted to illustrate the point

Not only that The growth itself is unreal, a sort of facade or a veil over a reality which is grim Agriculture, which forms the backbone of Pakistan's economy, does not show adequate growth rate and continues to be highly dependent on rainfall A single year

drought in 1983-84 (which incidentally was a peak production year in India) necessitated the import of 1 5 million tonnes of wheat to meet the deficit in domestic food supply The green revolution has remained confined to Punjab and has not spread to the other provinces of the country Land reform measures undertaken have been halting and badly implemented The technological change in agriculture in Punjab has resulted in the sharpening of inequalities and income disparities so that capitalist farmers and agricultural labour are getting increasingly polarised in the rural areas The incidence of poverty and malnutrition and also of rural unemployment remains high The available estimates of rural poverty show that while incidence of poverty went up from 40 5 per cent in 1963 64 to 51 5 per cent in 1969 70 i e during the Ayub s so called development decade', it declined to 37 5 per cent in 1979 While claiming this figure to be an underestimate the author concedes nevertheless that ' some real decline in the percentage of the poor households did occur between 1969 and 1979 primarily because of the effect on rural wages and remittances of labour migration to Middle East (p 11)

The subject of poverty is further pursued in Part II of the book Pakistan is a classic example of a capitalist underdeveloped country the author writes (p 59) which has experienced rising poverty during its periods of rapid economic development There were only two such periods in the economic history of Pakistan the Ayub era and the Zia era The author gives sufficient evidence in regard to Ayub s decade but none whatsoever in regard to Zia s era Hard statistical data for the latter period on this point remains to be compiled But the fact remains that this period saw an unprecedented migration of labour to the middle east and bulging remittances every year from the expatriates The remittances rose from a bare Rs 299 crore in 1975 76 to Rs 2 269 crore in 1980-81 and Rs 3 960 crore in 1985 86 In 1984 85 remittance formed 8 per cent of GDP and in 1985 86 7 6 per cent The remittances had a powerful impact on living standards of rural households particularly in Punjab and NWFP which provided the largest outflow of labour As a result of labour migration abroad real wages of labour in the domestic labour market rose and incidence of unemployment went down The remittances have now started declining After peaking to over US $ 3 billion in 1985 86 these have come down last year to US $ 1 8 billion This is a cause of serious concern, not only to Pakistan authorities because of the implications that the decline has on the balance of payments situation, which is already serious enough, but also to the people because of its effect on the employment situation and threat to living standards of the migrants' families back home.

In the face of decline in labour demand abroad and the prospects at home, it is important that Pakistan explores alternative avenues of employment for its rapidly growing labour force. No conceivable amount of industrialisation in the near future can provide the needed amount of employment opportunities The solution to the problem has to be found in a policy of greater absorption of labour in agriculture. This issue is discussed in part III of the book This part is entirely devoted to the discussion of this subject Here the author considers four policy options centring round the extent of use of tractors in farming which has the effect of displacing labour and affecting growth of agricultural production

The fourth policy option based on the assumptions that (a) tractors adoption slows down to half the earlier growth rate (b) a 13 per cent annual increase in water sector allocation bringing 27 8 million acres under irrigation takes place and (c) potential for increased yield that leads to 25 per cent increase in labour requirements per acre is realised projects an increase in labour demand by the year 2002 of 710 million man days or 20 5 million persons a year in the rural sector (pp 216-18) This is an interesting result It accords with the view first expressed by S Ishikawa in 1967 that in Asian conditions agriculture has to absorb more and more labour to relieve the pressure, of increasing supply of manpower on the labour market This view has started receiving serious attention at the hands of the economists as is evident from the growing volume of literature on the subject including some studies sponsored by ILO/ARTEP

Part IV of the book treads familiar ground in respect of the muslim separatism in "undivided India" If the Congress was basically a middle class movement or at later stages a middle-class-led mass movement, the Muslim League was a muslim middle class-cum-muslim landed aristocracy party. "The muslim middle classes in the competition for jobs felt at a disadvantage *vis-a-vis* their Hindu counterparts The Aligarh group, with the support of the British authorities, directed this tendency towards the demand for separate electorates and intensification of the communal issues" (pp 338 39) Again The efforts of the muslim land lords and muslim commercial interests to form a separate muslim political party intensified in an environment characterised by the Congress campaign for self rule" (p 339) The muslim middle class was, however, numerically weak so that when Pakistan was formed as a separate independent muslim state, the class failed to keep its hold on state power and yielded ground to the military and civil bureaucracy backed by the landed aristocracy to run the state. This explains the country being under the military rule for the larger part of its 42 year existence

Though full of repetitions the book at least in some parts provides interesting and rewarding reading The author now, as a member of prime minister Benazir Bhuttos' economic advisory council, is in a position to shape economic policies of his country The immediate task facing the democratically elected government is to steer the country out of the economic crisis in which it finds itself The success with which that crisis is overcome will determine the long-term prospects of Pakistan's economy

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Class Politics, State Power and Legitimacy

James Petras

The notion of political legitimacy, which has become a central concern among academics writers and journalists is an irrelevant issue or at best a derivative or subsidiary concern Different electoral regimes derive their legitimacy from different class reference groups and different balance of class forces

Power it is argued here creates its own legitimacy Those who do not have power seek it and not legitimacy Power, in turn revolves around class interests and control over the state Those who neither have power nor are able to defend their class interests do not necessarily consider authority legitimate or illegitimate They may pursue private interests illegitimate or legitimate activity or collective political action outside the institutional framework of the political class

THE concept of political legitimacy has become a central concern among a great number of writers academics and journalists Legitimacy has become the master key explaining the political process the rise and decay of electoral and authoritarian regimes the stability of social orders the effectiveness of ruling classes and the contradictions of capitalist (or collectivist) societies Starting from a discussion of legitimacy this approach analyses how social classes the state and the political class act to preserve or undermine it In effect normative idealistic and subjective behaviour of individuals create the basis for the socio economic and political order Values determine economic interest and condition their pursuit Marx turned on his head collective material interest are subordinated to and derived from the pursuit of legitimacy

There are essentially two approaches to critically analyse the issue of legitimacy One is to question its centrality in analysing politics to critically examine the assumptions that underlie the conceptual framework anchored in the concept of legitimacy This approach questions the very usefulness of the notion it questions the question 'why study legitimacy' and posits an alternative set of concepts starting from a different set of assumptions about the forces shaping political life The second approach we can call an immanent critique accepts the notion of legitimacy as possessing some analytical value and critically evaluates its relative utility in relation to other concepts the specific groups for whom it has special importance and the degree of relevance in different political contexts

For Marx the central issue was the exploitative economic system based on the conflicting economic interests between the owners of the means of production and the wage earning working class In the Marxist analysis the problem was one of analysing the conditions under which the working class would organise itself into a collective force to transform the capitalist system The Marxist analysis thus proceeds from an analysis of the social relations of production, to the social organisation of the exploited classes and to the question of state power

In response to the challenge posed by the Marxist problematic Max Weber formulated a counter perspective starting from the other side Since the organised working class was growing and extending its social power it represented a challenge to the authority of the capitalist state For Weber the overriding issue was the problem of authority the means of securing obedience (legitimacy) and the consequences of the latter on the political institutional order (parties electoral systems etc) Weber three fold classification of authority traditional rational and charismatic was accompanied by his belief that there was a logical historical progression toward rational authority accompanying the bureaucratisation of society His analysis was fundamentally flawed as the eruption of class warfare worldwide depression the rise of fascism world wars and subsequent colonial and neo colonial wars were to demonstrate

Yet in the late 1970s a new generation of writers mostly academics has re emerged who have taken up the major theme or concepts of Weber and have applied them to the political processes of the contemporary period Self consciously post Marxist and in some cases self styled neo Weberians they have turned towards the notion of legitimacy as the organising principle of their analysis Essentially their trajectory involves a flight from class politics to the political class They are the new crisis managers pointing to the dilemmas of the political class its fiscal crisis the contradictions between its need for legitimacy and its need for accumulation Over and over they return to the problem of legitimacy the need to secure obedience or in their own euphemistic vocabulary consent Like the mandarin of ancient China who offered their services to the emperor to secure a mandate from heaven the neo Weberian intellectuals (who are specialists in the manufacture of the symbols of power) offer to provide the appropriate values to secure legitimacy And it is precisely the intellectuals real or imagined proximity to the political class and their concern with its problems that explains the vehemence with which these 'post Marxists' eschew any reference to class based institutional power and any suggestion of the centrality of class conflict based on economic interests

POWER CREATES LEGITIMACY

We want to argue that legitimacy is in many ways an irrelevant issue or at best a derivative or subsidiary concern The thrust of our argument in the first instance is that power creates its own legitimacy Those who do not have power seek it and not legitimacy Power in turn revolves around class interests and control over the state Those who neither have power nor are able to defend their class interests do not necessarily consider authority legitimate or illegitimate They may pursue private interests illegitimate or legitimate activity or collective political action outside the institutional framework of the political

The question of whether a regime is legitimate is not a major question in American politics In recent years at least three regimes have been publicly exposed as violating the so called democratic rules of the game and it has not led to any major political movement or any legitimacy crisis' or for that matter to any political crisis calling into question the political institutions President Johnson's bypassing of Congress during the undeclared war in Vietnam and massive deception of Congress with the fabricated Tonkin incident is one example President Nixon's Watergate incident highlighted the all pervasive use of the secret police (FBI) and covert state operatives to undermine legal political opposition President Reagan's Iran Contra policy involved bypassing and deceiving the Congress, violating laws through massive sustained covert action In addition approximately 125 top officers in the Reagan Administration were involved accused or convicted of criminal activity and yet the legitimacy crisis never entered into the subsequent electoral campaign

For the affluent and politically visible classes social actions and relations favouring capital shaped legitimacy not *vice versa* Only among certain sectors of the liberal intelligentsia was the issue of legitimacy ever raised—more in esoteric books and infrequently read small magazines—in an effort to influence the political class Even in this context little was accomplished the technocratic wing of the opposition (Democratic Party) was more interested in

publicising their management capacity than in raising the issue of a 'legitimacy crisis'. Furthermore, the majority of the opposition political class was competing for the favour of precisely those same affluent groups as the government party and they were highly unlikely to get any support by calling into question the legitimacy of a system from which they were reaping such lucrative benefits. Even the populist opposition (grouped around the Jackson movement) did not raise the legitimacy issue but rather fought its campaign around the issue of greater inclusion within the system. In fact Jackson went further and argued that precisely his candidacy and presence was evidence of the maturity of the political institutions — a fact very from the purported crisis in legitimacy decreed by the neo-Weberians.

The great absentee electoral public (over 50 per cent of the US voters don't vote) is neither a sign of legitimacy or of illegitimacy — it is just ignored and the system functions as smoothly as if they did vote. Nor are the absentees particularly those alienated poor blacks and white workers responding to a legitimacy crisis. They are more concerned with issues of jobs, income, housing, health, education, security of employment. Because these fundamental issues are not resolved they could serve as a basis for challenging the legitimacy of the regime if there existed a political class that could effectively organise these private discontents into a political programme. But in stating the issue of legitimacy in this fashion we are showing the manner in which the legitimacy is a derivative issue dependent on basic economic interests and conflicts contingent on political mobilisations.

WEBERIANS AND NEO-WEBERIANS

The notion that legitimacy plays a major role in social domination is based on the assumption that there are reciprocal benefits between rulers and ruled. But as we have seen over the past decades under neo-liberal and conservative regimes there have been asymmetrical benefits to those at the top and costs (borne by those below). Yet without reciprocity there have been no revolutionary movements or even radical challenges to authority. The supposed connection between reciprocity and legitimacy is a figment of the neo-Weberian imagination.

The assumption that counterposes legitimacy to force is another questionable assumption. Reagan's arbitrary dismissal of 14,000 air controllers and Thatcher's violent repression of the coal miners' strike reinforced their legitimacy in the eyes of their affluent visible public. Force and legitimacy are not opposed but are dialectically interrelated—two sides of the same reality reinforcing bourgeois domination within the electoral system.

Weber's notion of legitimacy is concerned with the conditions facilitating social domination—a point the Weberian epigones casually slide over. The ideal type legitimate social domination for Weber is where the subject obeys an order as if the order resulted from an inner decision and was thought to serve their interest. Underlying this 'ideal type' of legitimacy is Weber's explicit embrace of *subjectivistic* criteria (the *appearance* of interest serving—not the substance), a *hierarchical* order (the identification of order givers and takers and obedient subjects) and the abstraction of the subject from the larger social context (the individual citizen and not the social class). Unlike the epigones, Weber is consciously reinforcing the centrality of a command structure of orders and obedience, basing it on a subjective (and manipulable) sense of interests (based on perceptions). The problem for the neo-Webs is how to translate this authoritarian conceptual framework into a post-Marxist, passably democratic idiom. The procedure is rather simple: it requires a bit of intellectual amnesia and a great deal of abstract jargon mixed in with constructing and knocking down Marxist straw people.

In Weber's analysis the model of authority is a visible creature of the structure of property and property values and relations penetrate all structures of authority. Among the neo-Webs the issue of property, the great concentrations of capital, disappear or reappear as an afterthought. In its place are the problems of legitimacy and authority as things in themselves, like democracy. In some cases, among the critical neo-Webs, writers they even counter-pose the electoral system and property in a very called contradiction between capitalism and democracy, conveniently overlooking the ways and ways in which the values, financing and interchange of personnel from both are mutually interconnected and reinforcing.

The neo-Webs thus reduce the concept of legitimacy to a question of the political institutions, setting aside the class system (the relation of classes and the ruling class power structure). The setting aside of systemic and ruling class issues reflects the givens in the political discourse of the neo-Webs and the changes in political context from the time Weber was writing. In the first decades of the century rising mass working class parties were challenging the bourgeois state, ruling classes were insecure, class relations were polarised—Weber had to address these issues; they had not become the parameters of politics as they are for today's neo-Webs. In today's neo-conservative political climate, with labour in retreat, the epigones of Weber argue and debate the appropriate political formula, the appropriate justification for the existing order — to invest in a ruling class. Hence the concern with legitimacy: to bring their orders into line with the subject's obedience.

LEGITIMACY FOR WHOM?

The governing classes have a strong base of support — in the dominant classes, in the visible public and in the mass media. There is a power structure in place without much concern with legitimacy or that can create its own legitimacy — or buy it. In this sense the search for legitimacy is the opium of the intellectuals, intoxicated with their own concerns, which they confuse with the larger society, they confuse the shadows of power for the real thing.

Both in the advanced capitalist countries and in the third world, legitimacy is about the working order of the institutional machinery—and preoccupation with its breakdown. Here there is a difference: the institutional frameworks of the electoral regimes in the third world – particularly in Latin America – come into conflict with dynamic popular socio-political movements and economic interests and are incapable of responding to the demands for systemic changes. Hence the cries about a legitimacy crisis in the third world, hence the neo-Weberian attempts to prioritise the electoral regime over social-economic movements and adopt authoritarian measure of state repression to defend legitimacy, i.e, the bourgeois electoral regimes. No such problems exist at the moment in the advanced capitalist countries—or to put it better, state power is used to concentrate the endemic violence among the inner city poor.

Authoritarian rule growing out of class conflict is not illegitimate for the victors. Pinochet received 43 per cent of the vote in Chile and substantial majorities in three major affluent municipalities in Santiago (Providencia, Las Condes and Vitacura). For the rich and very rich, among the petty bourgeois who have benefited from his economic politics, the military dictatorship — as a legitimate defender of class privilege. The same was true of the military regime in Brazil from the mid 1960s to the early 1970s.

Legitimacy has no meaning outside of the class political context in which it is inserted. It has no universal normative meaning that can be applied to particular regimes for all classes in all periods. Legitimacy is a class specific concept: the question is legitimacy for whom and under what circumstances? This takes us to our second approach which takes a middle position between the total rejectionist view of legitimacy and those who see it as a central concept in political analysis.

LEGITIMACY IN POLITICAL PERSPECTIVE

A more modest view of legitimacy places it in the context of having a secondary, reinforcing impact on the basic social and political relations and conflicts. Politics does not revolve around the issue of legitimacy, but it is not a factor that can be altogether ignored. First, it is important to separate the notion of legitimacy from a one-sided association with electoral systems. Non-electoral regimes have secured the consent of the populace through socio-economic policies, national struggles and a variety of other practices (imperial incursions, racist or chauvinist wars, etc). Eliciting consent on the basis of an electoral system has been one mechanism for securing legitimacy—and not always a successful one when basic social-economic interests are violated. Bourgeois electoral systems depend above all on the belief in the legitimacy of the ruling class. When class struggles erupt that challenge the power and prerogatives of the ruling class—

and thus question its legitimacy—the electoral system is vulnerable to overthrow and replacement by authoritarian institutions that safeguard bourgeois interests Those new institutions partake of a class-specific legitimacy

Legitimacy is not only tied to state institutions and their relations to citizen subjects Legitimacy can be built outside of the state from civil society This of course, challenges the institutionalist views of the orthodox neo Webs who see mass movements as a threat to the stability of legitimate democratic institutions—translated as a challenge to the monopoly of politics by the electoral political class and of violence by the state

Thirdly the concentration of power by a few international conglomerates has shrunken the boundaries of politics in the liberal western democracies their role is increasingly an instrumental one creating competitiveness seeking markets bargaining with other states over terms of economic exchange co ordinating fiscal currency and financial policies etc The subordination and instrumentalisation of liberal democracy to concentrated corporate power makes the notion of a contradiction between the two less plausible and problems of legitimacy more a question of public relations manipulation than a basis for launching a political movement

Fourthly the neo Webs association of legitimacy with liberty has political meaning only in a public context access to a public and to the means of communication to articulate ideas and organise movements Liberty has no political meaning is individual private expression devoid of a public context the isolated expression of ideas may have subjective value (the individuals may feel good that they have the freedom to express their views without physical harm) but it has no consequences for politics There is a qualitative difference in the two contexts without a public liberty is essentially privatised divorced from politics and power and compatible with public tyranny Public liberty presupposes private liberty but is not identical with it Private liberties do not presuppose public liberty in fact in contemporary bourgeois electoral regimes private liberties are normally dissociated from public liberties Discussion of legitimacy must distinguish between public and private liberty or fall prey to the coupling of the two and offer legitimacy to a tyrannical public order by celebrating private freedoms

Because the political class has access to the public and depends on securing obedience, legitimacy fits into its ideological concerns The neo-Webs provide an intellectual veneer for the failures of the political class by dichotomising the political choices democracy or chaos, politics or anomie, elections or historical regression, transactions and negotiations within the political class or class/Hobbesian wars The self- assertion of workers—that they are victims of the neo-liberal electoral game—is enlarged upon as a vehicle for strengthening democracy if and only if it is ultimately subordinated to the political class, which in turn is a loyal upholder of the capitalist rules of the game. Widespread disillusion with the electoral system the decline of the political class, the rise of popular movements is described by the neo Webs as a crisis of the state—not an affirmation of class power in civil society movement displacement of conventional electoralist politicians is described as the disintegration of political society (politics guided and channelled by the political class)

Movement politics is a factor of political deterioration from the viewpoint of the political class but it is a factor in the strengthening of civil society against the state from the perspective of the working and under classes Legitimacy takes different forms and is located in different sites depending on whether one takes a state political class centred view or a civil society movement perspective

Legitimacy can be conceived as a product earned through participation in the class struggle and the construction of class solidarity Or it can be conceived of as the magic wand wielded by intellectuals seeking to secure state recognition The self defined role of intellectuals possessing the power to confer legitimacy on a regime to insist that they are indispensable handmaidens of power

Both in the third world and in the advanced capitalist countries major political forces particularly bankers bourgeois and in the third world the military and paramilitary groups do not feel obligated to fight the battles of democracy or the meanings of democracy on the electoral terrain Capital flight credit freezes threats of coups corporate markers and a host of other extra parliamentary methods are all part of the real terrain in defining democracy Only the intellectuals of the political class believe that political struggle over the meaning of democracy should take place in the terrain of democracy i e parliamentary frameworks

For the organic intellectuals of the political class democracy parliament elections parties and the rule of law constitutes the centrepiece of political legitimacy For the popular classes in civil society the socio economic problems of declining standards of living skyrocketing prices deteriorating wages and the spread of temporary employment are the central issues defining their attitudes toward political authority The dominant classes that address the interests of the latter can secure popular legitimacy' with or without the former The ruling classes that address the interests of the political class can secure its legitimacy but lacking a social base will find it difficult to sustain Democracy or socialism is about the solution of people's basic needs—legitimacy is a derivative of that process Insofar as democracy is an instrument of those ends, it secures its legitimacy Material interests define the boundaries and provide the substance of the debate over legitimacy

The debate about legitimacy as it is framed by Marxists is about the paths and directions which conflicting classes will take. To frame the problems of legitimacy in a class conflict framework raises fundamental questions In the third world choices between paying overseas banks or meeting popular needs defending human rights or absolving military tortures, promoting agro-business exporters or peasant producers and local consumers are irreconcilable choices that confound the babblers about democracy' without class definitions The political pattern of the new electoral regimes in Latin America has been to speak to one set of interests (popular movements) during electoral campaigns and to work for another set of interests (banking export elites) in power The crisis of legitimacy of these bourgeois democracies the mass disillusionment, urban uprisings and general strikes—has emerged from this double discourse, the consequent devaluation of democratic ideology and discrepute of the political class

Legitimacy is part of the great debate among the intellectuals of the political class Their number one priority is promoting and defending the political institutions of the political class The alliance between the neo-Weberian intellectuals and the political class around the notion of defending the legitimacy of the institutions of the political class cuts across class boundaries and undermines the fundamental demands of the popular classes The reverse is also true consequential political leaders who articulate material demands of the social movements create a new legitimacy one anchored in civil society that undermines the elite consensus and legitimacy of the political class and its organic intellectuals

Legitimacy can only have meaning in a specific historical structural context—it cannot be considered in an ahistorical asocial fashion Broader structural factors (class relations) and social processes (levels of class struggle) shape the meaning of legitimacy Being a derivative and dependent phenomenon does not detract from the potential importance that legitimacy may have as a secondary influence on the political process reinforcing the roles and positions of class protagonists inside state structures and outside in civil society While legitimacy is derivative of larger societal processes it plays an important role in reinforcing outcomes

Legitimacy as a concept requires specification of the levels of analysis regime, government state, as well as relations between the political class and civil society Moreover, the notion of capitalist legitimacy is not tied either to keynesian reformism or for that matter to democratic electoral regimes the notion of legitimacy is linked to specific constituencies and social demands and time periods which coincide frequently with deep-seated cleavages All of which is to say that legitimacy is a component of the analysis of political power whose importance can only be understood in relationship to the dynamic inter action of class forces

Styles of Legitimacy

There is no single style of legitimation, rather there are various types of legitimation varying with the social composition of the regime We can for general purposes distinguish between two types, 'progressive and 'reactionary' forms of legitimacy corresponding to different forms of regime progressive legitimacy involves welfare measures in social democratic regimes social transformation in revolutionary regimes and the extension of democratic rights in liberal democratic regimes Reactionary forms of legitimacy include wars to legitimate military industrial complexes colonial wars to legitimate imperial regimes repression of minorities to justify military regimes and rapid economic growth to secure authoritarian military regimes This diversity of forms of legitimation suggests that most ruling classes rule on the basis of class or racially select legitimation among politically visible minorities

A legitimation crisis occurs when an active excluded group reacts to a regime and sustains a challenge to rulership Mere abstention by majorities is no more of a problem to rulership than the passive unemployed are a threat to capitalism Only when the abstaining majority become an active force hindering rulership do we have a crisis of legitimacy in the same way that the unemployed who take to the streets and threaten the accumulation process become a problem for capitalism

In fact an inactive abstentionist majority the norm is the US electoral system – is functional in facilitating the legitimation functions of the state freeing resources so that the state can increase its allocation to the visible minorities

The electoral process which is central to legitimation is also a major factor facilitating the demobilisation of civil society subordinating autonomous social movements to the political class the political class to the party regime the party regime to the executive and the executive to the state apparatus

In the transition from a deteriorating authoritarian to electoral regimes there is a dual process of reinforcing state authority and providing legitimacy to the continuing authoritarian institutions while inserting within these institutions a set of electoral practices that elicit popular consent In a word electoral regimes procure popular legitimacy for authoritarian structures When popular movements question the legitimacy of the state, a crisis emerges that is resolved either by deflecting opposition through regime changes if that is not possible the electoral regime represses the populace

Evolution of a Concept

In the advanced capitalist countries newly awakened concern with legitimacy first surfaced with the decline of the first wave of class struggle in the aftermath of World War II The acquiescence of the working class with electoral regimes in western Europe in the context of an expanding world economy and the spread effects of the welfare state in the late 1950s served as the back drop for the capitalist restorationist writers to celebrate the legitimacy of capitalism The second wave of writers on legitimacy emerged in the aftermath of the crisis of the 1970s and the subsequent period of prolonged economic stagnation without any upsurge of working class struggle. These neo left writers began to relocate the contradictions of capitalism from the class structure to the state positing a conflict between the legitimation and accumulation functions of the state Essentially the struggles took place in the superstructure by and for the political class and their intellectual advisers

The third phase of discussion on legitimacy in the 1980s coincides with the growth of the social movements (women ecology peace, animal rights etc) which challenge state action and its right to act The focus is on the cultural matrix and the legal basis and consequence of state action For these post modernists class contradictions struggle and action is described as 19th century residuals to be replaced by the post modernist language of legitimacy crisis to be resolved by fashioning a new discourse Curiously enough the problems posed by the post modernists resemble those found in the 18th century conflicts between monarchists and republicans there too the issue was one of legitimacy and sovereignty No doubt 18th century residuals can be recycled if they serve to update post Marxist posturing

Marxism versus Post Modernism

All along the line there is a profound division between Marxists and the varieties of post Marxists (post modernists neo Weberians etc) For the latter subordinates the class struggle to political struggle among bourgeois factions, replaces class contradictions by cultural contradictions substitutes the search for legitimacy for the struggle for class power obscures the conflict between working class socialism and liberal democracy by focusing on individual rather than property rights and finally prioritises political struggle within the state for struggles to transform the state

The central issue of course is the relationship between electoral regimes and the state the qualitative differences in interests vested in one or the other are obscured Regimes decide the immediate interests of the dominant classes, states defend their permanent interests The post-modernist argument of extending democracy from the political to the economic sphere overlooks the constraints imposed by the authoritarian institutions of the state. The post modernists fail to recognise the limits to reform imposed by the state and the reversibility of changes initiated by regimes (and not the process of gradual accumulation of reforms) as long as the state remains in place.

Recent history in Europe and North America provide ample proof of this process the welfare reforms of the 1950-1970 period were challenged and reversed in the later 1970s and 1980s The post-modernist effort to reduce qualitative class differences in state power into quantitative policy changes by regimes is an egregious error in method and theory

Legitimacy and State Functions

On the left the issue of legitimacy as a key analytical concept emerges during the period of capitalist expansion and the Keynesian welfare state it is used to explain the state's role as a provider of welfare, a result of the need of the capitalist state to secure legitimacy

The decline of the welfare state the recontentration of income at the top, the increasing role of the state as a vehicle for redistributing income from wage earners to property owners calls into question the notion of legitimacy tied to the welfare state and raises the further question of whether legitimacy in the sense of popular assent to a governing regime –is a useful concept in analysing contemporary capitalist electoral institutions The neo-conservative electoral regimes are legitimate' in the strictly legal sense of observing the correct procedures in the electoral process But to go beyond that and attribute popular consent to the regime is to enter into the class content of the regimes and their socio-economic policies and to overlook the lack of popular participation in the electoral process Hence, the dilemma of critical legitimacy theorists of having a legitimate regime without popular consent

The post modern western intellectuals resolve this dilemma by attacking the older basis of legitimacy (or at least putting distance between themselves) based on the welfare state and working class politics they launch full scale attacks on the state, statism public enterprises and find political legitimacy in individual choice the market and civil society while the neo liberal state seeks legitimacy from investors bankers financiers the visible public

In summary different electoral regimes derive their legitimacy from different class reference groups and different balance of class forces The intellectual commentators elaborate their theories of legitimacy according to which regime predominates at any historical moment

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Objectives and Appropriate Indicators

N A Mujumdar

We in India have adopted monetary targeting when the major industrial economies are moving away from it Fortunately, the modified version of 'monetary targeting with feedback' recommended by the Chakravarty Committee reflects the lessons learnt from the experience of the developed economies and, to a limited extent, their adaptation to the specific situation of the Indian economy In implementing the monetary targets, moreover, the recommendations of the Chakravarty Committee have not been followed in important respects

THE latter half of the 1980s have been rather unheroic years for monetary policy in India The phase of explicit monetary targeting unfortunately coincided with a period of fiscal profligacy with the result that the credibility of monetary planning has been seriously eroded In the Seventh Plan document the amount of deficit financing was fixed at Rs 14 000 crore—a level which was considered to be within safe limits or non inflationary In actual fact the total quantum of deficit financing for the five years of the plan have turned out to be Rs 33 524 crore, that is more than two and a half times the safe level originally envisaged Such unbridled deficit financing in a way belies claims of monetary planning and targeting Moreover the situation is further confounded by the choice of an inappropriate monetary aggregate for targeting The whole set of issues relating to monetary planning targeting and appropriate indicators for targeting needs therefore to be widely discussed and debated

Objectives of Monetary Policy

It is appropriate to begin the discussion on monetary targeting with a brief reference to the basic objectives of monetary policy In India the major objectives of *macro* economic policy have been growth equity or social justice and price stability[1] Monetary policy has to be designed to subserve these objectives An endeavour to meet the credit requirements of all productive sectors of the economy for instance represents the growth objective whereas prioritisation of sectors and concessional lending rates to these sectors represent the social justice objective The dilemma of monetary policy is that if the growth objective is to be pursued by itself the overall monetary expansion would turn out to be too large in view of the almost insatiable demand for credit Obviously this would jeopardise price stability and hence the growth objective has to be circumscribed by the objective of price stability Thus there is often a conflict of objectives and in the conduct of monetary policy a pragmatic trade off becomes necessary The quintessence of monetary policy is to reconcile these objectives while maintaining the overriding commitment to price stability Thus, sustaining price stability without, at the same time, impeding the full realisation of the growth potential of the economy becomes the central objective of monetary policy

The whole exercise of monetary planning monetary targeting and the choice of the indicators used for the purpose has to be judged against this broader perspective

Underlying Rationale

Recognising that control of inflation is a primary objective of monetary policy and that regulation of money supply is essential to achieving this objective the Chakravarty Committee recommended that the Reserve Bank of India adopt monetary targeting as an important monetary policy tool subject to the cautions sounded by us This would bind the Reserve Bank and the government of India in a common effort to achieve the desired rate of growth in money supply as in the Indian situation control on monetary growth is impossible without the full support and understanding of the government

Thus began the phase of explicit monetary targeting For the first time the central government budget for 1987 88 set out the target of net Reserve Bank of India (RBI) credit to government as an integral part of the targeting exercise

At this stage it may be useful to add that in fact an *informal* framework for targeting the growth of money supply was already in existence Over the years there has been a progressive attempt to assess the market borrowing programme of the government the visible deficit of the government—not net RBI credit—and the monetary budget as a set of internally consistent aggregates While there were no public pronouncements on any specific monetary target some broad perceptions of the desired rate of monetary expansion used to be exchanged annually between RBI and the government, and these perceptions provided an important input to the formulation of the government's budget Moreover during the period 1981 84 of the IMF Extended Fund Facility Programme some ceilings on credit were stipulated as part of the performance criteria and these had to be given an element of pre eminence in the conduct of monetary fiscal policy Thus both the RBI and the government of India were already attuned to the process of monetary targeting What really became necessary in the post-Chakravarty Committee phase was that this process of targeting became explicit, rather than informal, and also a more conscious commitment on the part of the government of India and the RBI to the agreed target was expected

Strangely enough, the early 1980s also represented a phase when major industrial countries were moving away from reliance on monetary targeting If this is so, why did the Chakravarty Committee think it appropriate to recommend monetary targeting for India? A straight answer is that monetary targeting as recommended by the Chakravarty Committee, differs from the purely monetarist approach and in this context the following four features of monetary targeting need to be highlighted

First, spelling out the analytical underpinning of the committee's report, Sukhamoy Chakravarty[3] has explained that to preserve price stability in the Indian situation, it is necessary to accord an important role to monetary policy within an overall framework of economic policy This is indeed a diluted variant of the monetarist approach in the sense that it stresses that money plays a role although certainly *not* an exclusive role, in determining the dynamics of price movements Second, the recommended approach is targeting with a difference what the committee has recommended is monetary targeting with feedback" The feedback is to emanate from the real sector and the specific mechanism suggested for this purpose is the mid year review of the monetary target Considering the importance of agriculture in the Indian economy, it is recommended that credit targets need to be reviewed and modified, if necessary, in the light of the size of the major kharif crop Third, the target should be in terms of 'ranges', rather than in terms of a precise target of expansion Fourth, the committee has recommended that the target be announced publicly so that it is open to public scrutiny, in fact the manner of implementing the target should be subjected to critical analysis by experts

A clearer appreciation of these four features of the monetary targeting exercise shows that it is *not* a mechanical application of money supply regulation but a flexible mechanism responsive to mid-year developments Sukhamoy Chakravarty has summed up the subtle difference between the recommended approach and the monetarist approach in the following words "Unlike in the use of a rigid monetarist approach to targeting in which other sectors of the economy are expected to bear the burden of adjustment, monetary targeting with feed-

back as recommended by the committee is aimed at facilitating the smooth functioning of the other sectors of the economy'

EXPERIENCE IN INDUSTRIAL COUNTRIES

Over much of the past decade monetary policies in many industrial countries were oriented towards controlling the growth rates of monetary aggregates as a medium term strategy for bringing down inflation. In their attempts to restore price stability central banks had to exercise considerable discretion to deviate from or adjust their monetary targets instead of following the monetarist prescription of pre committing themselves and adhering rigidly to money supply rules. "Most central banks exercised discretion to adjust de emphasise or abandon their targets in response to financial innovations and also deregulation which have introduced new instruments to serve as money or money substitutes with significant unanticipated effects on the relationships between targeted monetary aggregates and variables such as nominal gross national product (GNP). Discretion has also sometimes been exercised during periods in which unanticipated exchange rate developments have created concerns about the external influences on output and inflation.[4] This is the conclusion reached by the IMF paper which critically examined the practice of monetary targeting in seven major industrial countries (Canada, West Germany, France, Italy, Japan, the UK and the US). The periods during which these countries used monetary targets date back to 1975 for the US, West Germany and Canada (Canada abandoned the practice in 1982), 1976 for the UK and 1977 for France. Italy and Japan have not adopted monetary targets though since 1978 Japan has been announcing in the first month of each quarter a projection for the year on year growth of broad money.

A review of the individual experiences of central banks in these countries reveals first that central banks cannot control their monetary aggregates precisely and hence monetary targets have been specified more in terms of ranges rather than in terms of points. Secondly, since it is impossible in practice to anticipate all the macro-economic disruptions to which it would be socially desirable for the central bank to react, rigid adherence to any mechanical rule would be both socially undesirable and politically infeasible. Discretion rather than rules thus forms the keynote of monetary planning and policy. Thirdly, the financial revolution has blurred many of the lines between different types of 'money' and introduced new versions as well.[5] Consequently individual measures of monetary growth are a poor guide to short term movements in demand and hence for the attainment of monetary policy objectives a movement towards multiple aggregates is discernible.

It is thus clear that the recommendations made by the Chakravarty Committee are fully consistent with the lessons drawn from the experience of monetary targeting in major industrial countries.

CHOICE OF APPROPRIATE MONETARY AGGREGATE

Against the background of this experience the next question to be posed is: What is the appropriate monetary aggregate for the purpose of monetary targeting in India? This question has assumed special significance because after 1978 the RBI switched over to broad money (M_3) from narrow money M_1 which was used earlier. The immediate provocation for such a switch over was the break in the series of data relating to M_1 which was caused by the change in the classification of savings deposits. Up to August 1978 the maximum amount that could be withdrawn from the savings account without previous notice was classified as the demand deposit component and the amount in excess of that as the time deposit component and the excess over this amount as the demand deposit component. Subsequently this method of classification was modified and the average of the monthly minimum balances in a saving account on which interest is paid is now classified as the time deposit component and the excess over this amount is the demand component. This break in the M_1 series of data discussed by K A Menon in the recent article[6] has produced in its wake a far more fundamental change that merely 'creating for researchers problems of comparability of data over time' as bemoaned by Arun Ghosh. The reference here is to dethronement of M_1 by the RBI which started using M_3, to the exclusion of M_1, in all its monetary analysis. This also holds true for monetary targeting or for providing to bankers forecast of the broad parameters of money supply expansion in a given year.

It is perfectly understandable that the statistical infirmity occasioned by the break in the M_1 series of data discussed above left RBI with no option but to adopt M_3 for its analysis and policy purposes as an expediency in the post 1978 phase. At the same time, it is also reasonable to expect RBI to revert to M_1 as soon as the new series of M_1 compiled on the modified basis are available for a period of say a decade. It is perhaps this sort of expectation which explains why the Chakravarty Committee did not deem it necessary to focus on the choice of an appropriate monetary aggregate for monetary policy and planning. Although the committee has not explicitly recommended M_3 as a monetary aggregate to be used for monetary targeting, it would appear from the following paragraph that the committee is inclined towards an M_3 target. Formulation of monetary policy with M_3 as the monetary variable to be targeted thus becomes a feasible proposition in the restructured monetary system envisaged above (paragraph 9.85 of the report).

In any case the dethronement of M_1 and the *exclusive* use of M_3 by RBI for monetary analysis and policy are of such fundamental significance that they need to be discussed more widely. Unfortunately this aspect of change has not attracted ade

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quate attention of monetary economists in India

The crucial issue to consider is in the Indian milieu which of the two M_1 and M_3 is of more direct relevance to demand management objectives implicit in monetary targeting? For convenience of reference, it may be mentioned here that narrow money aggregate (M_1) comprises currency with the public demand deposits with banks and other deposits with the RBI Broad money aggregate (M_3) is derived by adding time deposits with banks to M_1

The Indian milieu can be broadly sketched as follows The household sector is the generator of the bulk of savings in the economy The average gross savings rate has remained around 22 per cent of national income for the last three years the household sector alone accounting for some 15 per cent or about two thirds of total domestic savings Again the share of bank deposits in the gross financial savings of the household sector has shown a secular upterd rising sharply from 31 6 per cent in 1968 69 to more than 60 per cent in recent years As percentage of gross financial savings household sector deposits with commercial banks have risen from 18 per cent in 1970 to 67 5 per cent in 1987 88 More importantly the share of time deposits in total deposits of commercial banks is overwhelmingly preponderant and the strong preference in India for longer maturity deposits is well known For time deposits of five years and above both instituted only 7 per cent of total fixed deposits of scheduled commercial banks in 19 6 rose to more than 60 per cent of the total in 1986 The main conclusion that can be drawn from these facts is that in the Indian milieu time deposits with banks represent the abode of saving rather than the abode of purchasing power and hence this component is hardly relevant to any measures designed to control liquidity or for demand management The monetary aggregate M_3 is thus ill suited to be used for monetary targeting

There is an inherent paradox in the RBI s adoption of M_3 for purposes of monetary targeting in the present context of monetary policy a lower M_3 because of the need to contain inflation and a higher growth rate of time deposits – a component of M_3 because of the need to raise the savings rate are both simultaneously desired objectives!

Viewed in this perspective it becomes obvious that the M_1 series of data, which steer clear of this problem is a more appropriate indicator for monetary targeting The sooner RBI reverts to this series the better it would be for formulation of more realistic monetary policy

Indian Milieu for Monetary Analysis

The canvas of the Indian milieu for monetary analysis and policy is much wider than what has been discussed already The broader canvas raises the basic issue of adopting the conventional concepts in monetary theory to the Indian institutional milieu In the absence of such adaptation, the dangers of what Amartya Sen calls the "illegitimate application of imported concepts" to policy formulation become imminent For formulation of policy what is required is an insightful analysis of specific issues rather than a mechanistic application of textbook concepts derived from an alien milieu This process of adaptation involves a good deal of research into institutions inter relationships between prices output and money and the transmission mechanisms through which an exogenous change in any one of these three variables may influence the other two Some essentially Indian phenomena which form part of the transmission mechanism need to be absorbed rather than being unloaded as an inconvenience in this adaptation process As illustrative of such phenomena the following three issues are briefly discussed

First reference may be made to what can be termed in the absence of a better phrase the quality of money supply expansion In monetary policy primary emphasis is usually placed on its role as an instrument of macro economic demand management Hence considerable sanctity is attached to monetary targets or the permissible magnitude of monetary expansion in a given year consistent with the anticipated rates of growth in real income as well as some broad assumptions regarding price trends Empirically it has been concretely demonstrated that in the formulation of monetary policy one should not be content with only the data relating to the *quantity* of money supply expansion it is equally essential to take into account the *quality* of money supply expansion This is because different sources of money supply expansion exert varying degrees of pressures on aggregate demand For instance expansion of money supply brought about largely from accretion of foreign exchange reserves is qualitatively quite different from the same rate of expansion which has been caused by purely domestic factors Though the money supply expansion under two different sets of situation might be of the same magnitude, the two can have very different implications for demand management

The second phenomenon relates to currency The estimation of the demand for currency in the Indian economy has been the econometrician s nightmare. This is because there are two special characteristics of the Indian economy—characteristics which the standard texbooks do not discuss These are public sector procurement and distribution of foodgrains and the drain of cash to the informal sector With the help of the necessary empirical data, the impact of food procurement operations on the variations in currency has been clearly demonstrated The net off take of foodgrains from the public sector stocks thus becomes a crucial variable in the determination of the currency expansion in a given year Similarly, the import of certain goods like food articles, including edible oil, the import of which has assumed sizeable proportions in more recent years, fertilisers and fuel ("the three F's" as mentioned in one of the articles referred to in note 9) also has important implications for currency expansion The standard demand for currency functions unfortunately do not capture this important variable.

Yet another important feature of variations in currency is the flow of cash which takes place constantly between the formal and the informal sectors of the economy The drain of cash away from the banking system and the return flow of cash to the banking system, the activation of idle cash balances reflecting dishoarding and hoarding of currency—all these are factors relevant in this context The size of such flows and the circumstances under which activation of idle balances takes place need to be studied in depth These phenomena may defy precise measurement but some allowance needs to be made for these factors in any meaningful monetary planning and analysis particularly for monetary targeting Since the elegant econometric exercises are unable to capture these phenomena which are an integral part of the Indian monetary scenario, the actual variations in currency differ widely from forecasts

Finally another area which has received inadequate attention is the impact of money on output Money has an impact on both output and prices Money is created because credit is extended to the government, the private sector, and/or to the external sector Since credit facilitates the production process it has a favourable impact on output But this impact varies a great deal from sector to sector and from one end-use of credit to another end use For instance, crop loans have a direct impact on output and by their very nature are self liquidating, whereas a term loan given to an industry may have a long gestation period The inflationary implications of these two categories of credit would be different What needs to be driven home is that building one omnibus credit ceiling into a specific monetary target is not enough A disaggregated credit target which takes into account these precise linkages to different economic activities would be necessary if the basic objective of monetary policy of exploiting fully the growth potential in the economy is to be realised

Thus unless the institutional framework and the behavioural characteristics of the specific phenomena which characterise the Indian monetary scenario are built into monetary models, the models would remain largely academic

Concluding Observations

Unfortunately in economics, as in the case of technology, there seems to be some time lag between the emergence of innovations in theory, concepts and instruments in developed countries and their absorption by the developing world During a phase when major industrial economies appear to be moving away from reliance on monetary targeting, we have begun to adopt monetary targeting Fortunately, the modified version

of 'monetary targeting with feedback' reflects the lessons learnt from the experience of developed economies and to some extent adaptation to the specific situation of the Indian economy But *only* to an extent as the earlier discussion made it clear

In implementing the monetary targets moreover the recommendations of the Chakravarty Committee do not seem to have been faithfully followed First the monetary targets are not announced publicly but are made known indirectly in the RBI governor's communication to banks setting out the credit policy measures Second the targets are in terms of points rather than in terms of ranges as recommended by the Chakravarty Committee Thirdly there is little evidence to show that the mid course corrections envisaged in the so called monetary targeting with feedback are taking place in practice

The experience of the two contrasting years--1987 88 which witnessed the worst drought in the century and 1988 89 perhaps the most buoyant year since the inception of planning shows that monetary targeting is not exactly tuned to the rhythm of economic activities in a given year The monetary target fixed for 1987 88 towards the end of March 1987 was well below 18 8 per cent of M_3 this target was fixed in anticipation of growth in real income of 5 per cent The prospects of growth in real income changed dramatically and RBI's revised estimate was only around 2 5 per cent Eventually the actual growth turned out to be 3 6 per cent as the CSO estimates which became available well after the end of the year 1987 88 confirmed Strangely enough the fluctuations in the growth prospects did not seem to affect the monetary target In sharp contrast to the experience in 1987 88 growth in real national income in the year 1988 89 was exceptionally high the estimates ranging from 9 to 11 5 per cent and yet the monetary target remained at below 17 per cent It must be added that the inflation rate at 9 3 per cent remained more or less of the same magnitude in both these years The point to be driven home is that those who assert that there is a predictable relationship between changes in money supply (M_3) and in real income on the one hand and price level in the other would do well to ponder over the experience during these two years

This question should not be misconstrued merely as one of seeking a year to year correspondence between the relevant variables Empirically, taking out four year period from 1975-76 to 1978 79 it has been demonstrated that notwithstanding a very high average rate of monetary expansion (M_1) of 16 4 per cent and an average growth in real national income of 5 6 per cent, prices displayed a remarkable degree of stability, rising at an average annual rate of only 1 6 per cent [10] Even in the medium term therefore, to seek a mechanical relationship between money, output, and prices as most econometric exercises appear to do, is hardly meaningful from the policy point of view

Overall, the hazardous nature of forecasting real national income growth in a particular year, the critical role played by supply management strategies including public sector procurement and distribution of essential commodities in the process of price determination and the interaction between formal and informal sectors—all these factors warrant that the monetary authority should approach the problem of monetary management in all humility' As I G Patel[11] puts it one should speak of monetary targeting only in a minor key In fact strident notes are seldom appropriate when we speak of monetary policy in any case

What other conclusions could one derive from the foregoing discussions on monetary targeting? A practising economist should be able to grasp simultaneously the dialectics of the purposes of an instrument as indicated in the textbooks as well as the realities of the milieu in which the instrument is sought to be put to use Looked at from this perspective one important conclusion is that what can be called the indigenous component of monetary research in India needs to be enlarged some of the issues on which more work needs to be done have already been identified Second M_1 (narrow money) and *not* M_3 (broad money) is a more appropriate indicator of demand and hence monetary targets[12] should be set in terms of M_1 In addition to M_1 there should also be a target for net RBI credit to government In situations when actual expansion in M_1 far exceeds the targeted range it should be possible to pinpoint that this was due to fiscal imprudence If on the other hand there is an over zealous attempt on the part of the RBI to stick to the target even after accommodating fiscal profligacy the result may prove counter productive affecting adversely the productive potential of the economy The dual targets of M_1 and net RBI credit to government would be thus more practical Thirdly it should be appreciated that overall monetary restraint could co exist with liberalism towards selected sectors or sub sectors of the economy The reference here is to the self liquidating nature of credit extended to certain sectors crop loans to agriculture, export credit and asset creating employment projects undertaken in the context of absence of wage goods constraint—these are instances in point The precise credit economic activities linkages need to be studied in depth so that disaggregated credit targets could be built into the overall credit target An omnibus credit ceiling is much less meaningful

Finally the 'ability to nag' the government is traditionally regarded as one of the important weapons of central banks In the Indian context in which the whole exercise of monetary targeting is discussed here, one could sum up that monetary targets could be regarded as additions to the kit of such nagging instruments

Notes

[This paper is based on the two lectures delivered at the Gokhale Institute of Politics and Economics, Pune, on April 18 and 19 1989]

1 See for instance, C Rangarajan, "Issues in Monetary Management' December 1988 Calcutta

2 Report of the Committee to Review the Working of the Monetary System Reserve Bank of India Bombay 1985 para 9 8 8 p 170

3 Sukhamoy Chakravarty Report of the Committee to Review the Working of the Monetary System A Re examination Sir Purshotamdas Thakurdas Memorial Lecture Bombay 1986

4 Peter Izard Liliana Rojas Suarez Velocity of Money and the Practice of Monetary Targeting Experience Theory and Policy Debate included in Staff Studies for the World Economic Outlook IMF July 1986 In the above context rules and discretion are used in a technical sense A rule is a prespecified formula that defines the desired outcome for some selected variable The exercise of discretion is defined as the alternative to following a rule

5 The Year that Monetarism Dies' *The Economist* London January 4 1986 p 11

6 K A Menon Reserve Money Money Stock and Money Multiplier 1960 1988 *Economic and Political Weekly* October 8 1988

7 Arun Ghosh Money Stock Velocity and Monetary Savings *Economic and Political Weekly* November 26 1988

8 Amartya Sen Introduction to *Resources Value and Development* Oxford 1984 p 2

9 See the three articles in the section on Money in N A Mujumdar *Money Savings and Economic Development* Bombay 1989

10 For details see A Disaggregated View of Inflation in N A Mujumdar op cit

11 I G Patel Monetary Policy Revisited *Journal of Indian Institute of Bankers* Bombay October December 1988

12 Without realising this basic fact if an attempt is made to link money output and prices it may lead to strange results See for instance D Ghose, S Madhur and Prannoy Roy Has Monetarism Failed in India? *Economic Bulletin for Asia and the Pacific* UN December 1985 p 411

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Industry-Agriculture Growth Rates: Widening Disparity

An Explanation

B B Bhattacharya
Arup Mitra

This study examines the nature and causes of industrial growth in the face of slow agricultural growth It is hypothesised that the nature of the agriculture-industry relationship would depend crucially on the relative growth of income and employment in not only the industrial sector but also in the tertiary sector If income grows faster than employment then it tends to generate more demand for industrial goods vis-a-vis *agricultural goods, and consequently the disparity between industrial and agricultural growth widens*

I
Introduction

THE agriculture industry relationship has now become a matter of interest particularly in the context of recent spurt in industrial growth Broadly there are two views on this First it is argued that the rise in industrial growth without any increase in agricultural growth can be merely transitory In the long run industrial growth would slow down through forward and backward linkages between agriculture and industry On the other hand it is also argued that with diminishing importance of agriculture in the economy industry can now expand on its own momentum The present study examines the nature and causes of industrial growth in the face of slow agricultural growth Most of the studies on this issue have so far concentrated on the direct inter linkages operating between the two sectors without any reference to the growth of income and employment in the tertiary sector

It is hypothesised here that the nature of agriculture industry relationship would depend crucially on the relative growth of income and employment in not only the industrial sector but also in the tertiary sector If income grows faster than employment then it tends to generate more demand for industrial goods *vis a vis* agricultural goods and consequently the disparity between industrial and agricultural growth widens This hypothesis seems to be empirically valid both at state and macro level We find that growth differentials between industry and agriculture at the state level during the period 1970 71 to 1980 81 can be adequately explained in terms of growth differentials between income and employment in the non agricultural sector The evidence also suggests that at the macro level relatively slow growth of employment in the public sector and almost stagnant employment in organised private sector in the recent period seem to have been mainly responsible for widening disparity between industry and agriculture in the eighties

The organisation of the paper is as follows Section II reviews the existing literature on the subject in the Indian context Section III examines income and employment behaviour in 14 major states during the period 1970 71 to 1980 81 This analysis is confined to seventies only because of lack of census data on employment after 1981 Following this a hypothesis is developed and tested in Section IV to explain the industry agriculture income differentials at the state level Section V extends this hypothesis at the macro level and explains the pattern of industrial growth in recent years Finally in Section VI we draw the basic conclusion and its policy implication

II
Review of the Existing View

The traditional literature on inter sectoral linkages in the growth process generally emphasises the role of agriculture as a primary supplier of wage goods and raw materials to industry (supply linkage) on the one hand and as a provider of major output for industrial goods (demand linkage) on the other [Johnston and Mellor 1961 and Krishna 1962] This view however does not explicitly spell out the increasing role of the tertiary sector in a modern economy Further it may be noted that with growing mechanisation of agriculture it becomes dependent on industry for basic inputs like fertiliser power pesticides etc Incidentally the agriculture industry relationship becomes more complicated in this process

A slow growth of net availability of food grains or alternatively the movement of inter sectoral terms of trade in favour of the agricultural sector is believed to cause deceleration of the industrial sector However empirically speaking there was no slow down in the growth of production of food grains after the mid sixties [Ahluwalia 1985] Nor was there any fall in the marketed surplus of agriculture [Thamarajakshi 1977] so as to be related to the industrial deceleration But so far as the agriculture *vis a vis* industry terms of trade is concerned, one encounters a series of mixed evidence When Thamarajakshi [1977] and Mitra [1977] visualised a favourable terms of trade for the agricultural sector during the mid sixties and early seventies Khalon and Tyagi [1983] obtained evidence that stand quite contrary to others view Mundle [1977] however maintains that in terms of intersectoral resource flow of which terms of trade is just a single component—the industrial sector has been undergoing loss since the mid sixties Prior to that it was agriculture which was experiencing an outflow of resources Rangarajan [1982a] in his macro econometric model makes an attempt to capture the demand linkage between agriculture and industry He identifies a positive impact that agricultural output has on the demand for industrial consumption goods The effect of foodgrain terms of trade on industrial products has been negative but elasticity is negligible Both agricultural output and terms of trade had a positive influence on household saving and investment Keeping in view such segmented impact of agriculture on industry Rangarajan [1982b] drops the idea of explaining the behaviour of industrial production purely in terms of agricultural performance

Bhattacharya and Rao [1986] emphasises the sluggishness that continued in the performance of industry even after the relative relaxation of the wage goods constraint that occurred during the green revolution period In their macro econometric framework the partial elasticity of non agricultural gross domestic product with respect to agricultural output declined from 0 15 for the pre green revolution period to 0 03 for the post green revolution period Deceleration in public investment in general and acceleration of capital intensive investment in agriculture during the post green revolution period had adverse implications on employment causing relative deficiency in demand for agricultural products The decline in the share of agro-based industries coupled with such phenomenon of slow employment growth reducing the demand for agricultural products and wage goods thus weakened the agriculture-industry relationship

Therefore, bearing in mind the weak supply linkage between agriculture and industry in Bhattacharya and Rao's study [1986] and the existence of a narrow demand linkage in Rangarajan's work [1982], bet

ween agriculture and merely the set of industrial consumption goods like clothing footwear sugar and edible oils it may be concluded that the overall intersectoral linkages appear quite modest Moreover green revolution being mostly confined to a few pockets it was less likely that the post green revolution period could witness a strong demand linkage if it did not exist earlier

It is in this context that the demand for industrial products originating not only from within the sector itself but the large demand potential that the high productivity tertiary sector has, needs to be analysed Industrialisation indeed at its first stage gives rise to demand for a large spectrum of tertiary sector oriented activities [Mills and Becker 1986] But it may be argued that at a later stage the sustenance of a high rate of industrial production is subject to the volume of industrial products consumed by the tertiary sector Even if agriculture is not stagnating its declining share in total product and the rapidly rising share of the tertiary sector as it is usually postulated in the process of development, further strengthens the justification of the above proposition However needless to add that the pattern of industrialisation will depend upon the specific kind of products demanded by the pattern of income and employment generation in both manufacturing and tertiary sector

Since agriculture provides basically wage goods the demand for agricultural products in non agricultural sector would depend not only on the growth of non-agricultural income but also on growth of employment in non agricultural sector If income in non agricultural sector grows faster than employment then the demand for agricultural products grows slower than non-agricultural income and consequently the non-agricultural sector can grow relatively faster than the agricultural sector

III
Income and Employment Growth Rates

This sector analyses at the state level the income and employment growth rates in different sectors over the period 1970 71 to 1980 81 In our definition agriculture includes forestry and fishing too In the secondary sector we mainly concentrate on the registered manufacturing sector The tertiary sector has been split into six categories (a) Transport, storage and communication, (b) banking and insurance, (c) public administration and defence, (d) trade, hotels and restaurants, (e) real estate, ownership of dwelling and business services, (f) other services. The data for this analysis are mainly drawn from the estimates of domestic product and state domestic product at factor cost by the Central Statistical Organisation (CSO) and the employment estimates by the Population Censuses It is to be noted that Population Census in 1981 did not report the employment figures corresponding to the registered manufacturing units separately from the unregistered ones as it was reported in 1971 Census in its establishment tables We have therefore attempted the following approximation before calculating the state specific employment growth rates in the registered manufacturing over the decade 1971 to 1981 From the total employment in the industry division, manufacturing other than household we have deducted the single workers and family workers for both the years 1971 and 1981 A 'single worker in the census is defined as one who is doing work without employing others except casually and without the help of other members of his family except casually or a participant in work as a member of a co-operative' A family worker is 'one who is doing his work in a family enterprise along with other members of the family without wages or salary in cash or kind' We assume that both these categories of single workers and family workers fall within the unregistered sector in the industry division manufacturing other than household and therefore, these numbers have been netted out from the total employment in this industry division

The main purpose behind the subclassification of the tertiary sector is to highlight the growth differentials of different components of the tertiary sector While the segments like banking and insurance and public administration and defence are organised sector dominated trade hotels etc and real estate etc mostly fall within the unorganised sector Within the industry division transport storage and communication railway services communication etc are basically in the organised sector and rest are a combination of both organised and unorganised segments Similarly the category of other services can be located in both the sectors

Table 1 presents average annual growth rates of SDP at factor cost of 14 major states during the period 1970 71 to 1980 81 For comparison we have also provided average annual growth rates of NDP at factor cost during this period The table reveals that there has been wide differences in growth rates of SDP from agriculture among states Maharashtra has highest growth rate of 4 6 per cent per annum followed by Punjab (3 7) Karnataka (3 3) Gujarat (3 1) Haryana (2 8) and West Bengal (2 8) Kerala MP and Tamil Nadu have recorded negative

TABLE 1 INCOME GROWTH RATE DURING 1970 71 TO 1980 81 ALL INDIA AND INDIVIDUAL STATES

(Per cent pa)

State	Agriculture Forestry and Fishing	Registered Manufacturing	Tertiary: Transport Storage Communication etc	Tertiary: Banking and Insurance	Tertiary: Public Administration	Tertiary: Trade Hotels and Restaurants	Tertiary: Real Estates Ownership of Dwelling Business Services	Tertiary: Other Services	Total Tertiary
Andhra Pradesh	1 47	6 93	5 21	10 52	9 54	3 55	5 70	3 39	4 99
Bihar	0 91	4 07	2 74	6 90	1 22	9 92	-0 15	4 35	5 23
Gujarat	3 09	6 27	7 18	8 32	7 18	5 93	3 25	2 75	5 64
Haryana	2 77	7 93	7 72	10 69	7 71	10 57	4 67	3 40	8 13
Karnataka	3 31	8 65	5 81	8 30	8 76	4 58	3 81	1 68	5 00
Kerala	-0 33	4 67	5 22	8 48	7 41	0 63	3 06	3 59	3 50
Madhya Pradesh	-0 71	5 46	6 05	9 33	7 83	0 36	1 77	5 44	4 37
Maharashtra	4 60	6 67	4 69	5 67	5 08	6 03	3 24	1 98	4 76
Orissa	2 01	8 49	4 01	8 67	3 81	1 95	4 10	3 21	3 33
Punjab	3 65	8 77	6 89	9 58	7 37	7 88	2 14	4 92	7 07
Rajasthan	1 11	3 98	4 67	10 75	7 89	3 13	4 36	4 05	4 61
Tamil Nadu	-0 23	7 24	3 98	6 56	8 71	2 48	3 66	1 70	3 77
Uttar Pradesh	1 80	5 60	5 09	8 22	2 20	3 17	4 38	2 15	3 66
West Bengal	2 76	1 99	3 64	5 65	3 86	2 24	4 63	0 69	2 77
All India	1 93	4 81	6 42	7 67	7 38	4 80	4 13	2 86	

Note Growth rates refer to exponential trend growth rates pa

Source Estimates of State Domestic Product November 1985 and *National Accounts Statistics*, 1986, Central Statistical Organisation, Ministry of Planning, Government of India

growth rates In the case of SDP from registered manufacturing Punjab (8 8 per cent per annum), Karnataka (8 7), Orissa (8 5), Haryana (7 9) and Tamil Nadu (7 2) have performed well above the all India growth rate of 4 8 per cent per annum Tamil Nadu in particular, and MP and Kerala, have achieved a fairly high growth rate of registered manufacturing output despite a very poor agricultural performance West Bengal on the other hand has yielded a very low rate of manufacturing output growth rate (2 per cent per annum) in spite of performing relatively better in agriculture (2 8 per cent per annum which is well above the all India growth rate of 1 9 per cent per annum)

In the tertiary sector there is a wide variation in SDP growth rates across states as well as among different types of tertiary activities In general the faster growth is recorded in banking and insurance and public administration in all states In public administration the highest growth rate is achieved by Andhra Pradesh (9 5 per cent per annum) and the lowest by Bihar (1 2 per cent per annum) In transport storage and communication the growth rate varies between 7 7 per cent per annum for Haryana to 2 7 per cent per annum for Bihar Gujarat Punjab and MP have also recorded high growth rate (above 6 per cent) in this activity In predominantly unorganised tertiary activities—trade real estate and other services—the growth rates are generally lower than in predominantly organised activities—transport communication banking and public administration In trade the highest growth rate is achieved by Haryana (10 6 per cent per annum) followed by Bihar (9 9) and Punjab (7 9) and the lowest growth rate is achieved by Kerala (0 6) and MP (0 4) In other tertiary sector services West Bengal has performed worst with a negtive growth rate of −0 7 per cent per annum with Punjab performing best with a growth rate of 4 9 per cent per annum

The overall tertiary sector SDP growth rate has a broad correspondence to registered manufacturing SDP growth rate The only major exception in this regard is Orissa where the tertiary sector growth rate at 3 3 per cent per annum is well below the registered manufacturing growth rate at 8 5 per cent In general the growth rate of SDP from tertiary sector is higher than the growth rate of SDP from commodity sector excluding unregistered manufacturing This is consistent with the observed pattern of growth elsewhere The relationships among growth rates of tertiary agriculture and industry sectors at state level are examined elsewhere [Mitra 1989]

Table 2 presents average annual growth rate of employment in various sectors during the period 1971 to 1981 In agricultural sector the fastest growth of employment has been recorded in Karnataka (2 7 per cent per annum) followed by Haryana (2 5) Tamil Nadu (2 4) Maharashtra (2 4) and MP (2 3) The all India growth rate of employment in agriculture is 1 9 per cent per annum Kerala has practically no growth in employment in agriculture In the registered manufacturing sector the employment growth rate has been very high in Rajasthan (9 3 per cent per annum) and Haryana (8 3) and negative in Kerala (−0 6) The moderately high growth rate is achieved in Gujarat Orissa UP and Karnataka The traditionally industrial states - Maharashtra and West Bengal—have recorded a relatively poor growth rate of employment (3 5 and 3 1 per cent respectively) in registered manufacturing

In the tertiary sector the employment growth rate is generally lower than that in registered manufacturing sector Again within the tertiary sector the employment growth rate has been faster in trade, transport communication and banking and relatively lower in public administration and defence Across states, employment in tertiary sector has grown relatively faster in Haryana Gujarat Bihar MP Maharashtra Punjab and Rajasthan Orissa has recorded the fastest employment growth rate in public administration (4 5 per cent per annum) followed by Bihar (2 8), Gujarat (2 9) and West Bengal (2 3) In Kerala employment in public administration has declined

In the context of agriculture industry relationship it is important to compare not only relative growth rates of income but also employment elasticity of output States with relatively lower employment elasticity may have relatively higher growth rate of industry *vis a vis* agriculture Table 3 presents employment elasticity—measured as average annual growth rate of employment divided by average annual growth rate of income—across sectors and across states during the period 1970 71 to 1980 81 In agriculture the employment elasticity has been highly negative in Tamil Nadu (−10 5) and MP (−3 2) and almost negligible in Kerala (−0 03) It may be noted that in all these states the growth rate of SDP from agriculture was negative while growth rate of employment in agriculture was positive. The employment elasticity therefore became negative which may not be regarded as an evidence of falling employment intensity in agricultural production in these states On the positive side the highest employment elasticity in agriculture is recorded by Rajasthan (1 8) followed by Bihar (1 4) and Andhra Pradesh (1 4) Punjab has a very low employment elasticity in agriculture (only 0 4) followed by Maharashtra (0 5) and Gu-

TABLE 2 EMPLOYMENT GROWTH RATE DURING 1971 TO 1981 ALL INDIA AND INDIVIDUAL STATES

(Per cent pa)

State	Agriculture Cultivation Livestock etc	Registered Manufacturing	Tertiary: Transport Storage Communication, etc	Banking and Insurance	Public Administration	Wholesale and Retail Trade etc	Real Estates Ownership and Business Services	Other Services	Total Tertiary
Andhra Pradesh	2 09	5 75	4 36	6 97	1 62	3 13	1 18	1 82	2 68
Bihar	1 30	4 96	3 67	8 86	2 78	4 01	1 23	2 37	3 25
Gujarat	1 90	6 06	5 62	6 26	2 93	3 46	3 44	2 62	3 58
Haryana	2 45	8 31	5 60	12 55	1 97	4 24	4 59	4 04	3 66
Karnataka	2 65	6 51	2 72	7 28	0 67	3 84	1 57	2 12	2 76
Kerala	0 01	0 59	3 47	5 84	1 12	2 66	0 71	1 15	1 87
Madhya Pradesh	2 32	6 30	4 87	7 04	1 72	4 69	1 36	2 11	3 26
Maharashtra	2 37	3 47	3 58	5 05	1 62	3 60	0 16	3 64	3 27
Orissa	2 00	7 05	3 17	8 26	4 52	4 96	5 80	1 09	2 83
Punjab	1 56	4 85	5 17	8 59	1 56	3 72	0 17	3 38	3 37
Rajasthan	1 93	9 26	4 74	7 83	1 86	4 33	2 80	2 50	3 31
Tamil Nadu	2 42	5 20	1 73	4 19	0 49	3 11	5 52	0 71	1 96
Uttar Pradesh	1 31	6 36	3 40	9 36	0 53	2 75	1 01	2 20	2 20
West Bengal	1 67	3 05	1 90	6 08	2 31	3 20	0 80	1 29	2 26
All India	1 89	4 79	3 54	6 58	1 63	3 54	1 34	2 19	

Note (1) Growth rates are exponential trend growth rates
(2) All India figures are exclusive of Assam

Source (1) Census of India, 1971 India Series 1, Part II B(iii), and Vol 1, Part II A(ii)
(2) Census of India 1981, India, Series 1, Part III B(ii) and Series 1, Part III-A(i)

BHARAT FORGE LIMITED

Registered Office
MUNDHWA, PUNE CANTONMENT,
PUNE 411 036

Chairman's Speech

Speech delivered by
Dr Neelkanth A Kalyani
Chairman to the Members of the Company at the 28th Annual General Meeting held on 21st Aug 1989

LADIES & GENTLEMEN,

On behalf of my colleagues on the Board of Directors and on my behalf I extend to you all a hearty welcome at the Company's Twenty eighth Annual General Meeting and thank you for sparing your valuable time and making it convenient to attend this meeting

Having regard to an amendment to the Income Tax Act 1961 the financial accounting year of the Company has been changed from October September to April - March and accordingly the Annual Report sent to you along with the Notice for this Annual General Meeting covers a period of 18 months from 1st October 1987 to 31st March 1989 The Annual Report containing the Directors Report and the Audited Accounts for the period ended 31st March 1989 has been with you for quite some time and I am sure you have had the opportunity to peruse them

As you would have observed from the Directors Report your Company has continued to maintain an upward trend in its business operations The Directors keeping in view the extended period of the financial year and having regard to the overall performance recommended payment of an Interim Dividend of 25% on the pre-bonus Equity Share Capital of Rs 52 725 million which was disbursed on February 6, 1989 The Directors have recommended a final dividend of 12 50% on enhanced capital of Rs 105 450 million after issue of Bonus Shares in the ratio of 1 1

Your Company continues to maintain its level of exports business with a diversified customer base and hopes to maintain the upward trend in the current year as well The turnover of the Company in the first four months of the current financial year is higher by about 29% than that during the corresponding period of the previous year

This is the terminal year of the current Five Year Plan As we launch ourselves into the Eighth plan period we need to set out our perspectives and design strategies which take into account the challenges that we expect to encounter in the next five years The acute Balance of Payments position is a cause of tremendous concern not only for policy makers in the Government but also to all of us in Industry There is a tremendous need to galvanise our export effort The prospects appear to be bright Although the first year of the Seventh plan recorded a negative export growth rate of 7 2% with the trade deficit amounting to an unprecedented Rs 87 630 million subsequent years have witnessed remarkable growth in exports In 1988-89 exports topped the Rs 200 000 million mark for the first time recording an impressive growth of about 30% over the previous year Through a process of pragmatic selectivity Government has been successful in somewhat slowing

down the corresponding growth in imports and thereby bringing down the trade deficit

Several new measures have been taken by the Government to give a boost to exports Most notable perhaps was the Prime Minister s initiative in setting up a high-powered Board of Trade under the Chairmanship of the Commerce Minister This forum provides for the first time closer interaction between Government and Industry in matters relating to the Country s foreign trade policies The quick establishment of five Sub-committees under the Board of Trade to advise it on major issues only goes to prove the firm commitment of both Government and Industry to remove any impediments in increasing exports

While the general overall scenario for growth in Indian exports appear very promising there are a few issues that need to be addressed with particular reference to the Engineering Industry The Engineering Sector represents the segment of industry in which the percentage of value added is perhaps potentially the highest For example in the Forging Industry the percentage of value addition could be as much as over 90% It is necessary that such segments of industry which have greater export potential be encouraged by raising their level of competitiveness to bring them at par with their overseas competitors These industries should be permitted access to the most modern technologies and equipment at the same prices at which these are available to their counterparts abroad While the initial purchase price of equipment is the same everywhere Indian importers have to pay more import duties on such equipment which is being brought into the country In addition the interest rate that we have to pay on capital that we borrow for purchase of such equipment is also significantly higher than that prevailing overseas These higher costs have a cascading effect on the price of our end products which become that much more costlier as compared to those of our overseas competitors

The expected emergence of major industrialised blocs in world markets is another potential challenge for Indian exports A common European market by 1992 is almost a reality and with re-alignments taking place in the two other large markets of the world namely U S A and Japan we can expect increased protectionism against our exports We need to perhaps consider the Japanese example of setting up units in U S A and Europe when we attempt to evolve strategies to counter this challenge

I would also like to touch upon a major event which is going to take place in the Indian Forging Industry I am referring to the XIII INTERNATIONAL FORGING CONGRESS which will be held in New Delhi in January 1990 It will be for the first time in the history of these Congresses that the International Forging Industry will be meeting in a developing country It is expected that about 600 foreign delegates will attend the Congress and we shall have at least an equal Indian participation The Congress aims at bringing together on a common platform not only the Forging Industry but also its major suppliers and users so that they can together address the theme of the conference - FORGING INTO THE 21ST CENTURY This event will provide an unique opportunity to the Indian Forgings Industry to internationalise

I take this opportunity to express my sincere thanks to the Central Government the Government of Maharashtra and the Financial Institution Banks for their encouragement and support to our company I would like to thank our collaborators for their help and assistance I would also like to place on record my sincere appreciation of the contributions made by the employees at all levels under the overall guidance of the Vice Chairman towards the Company s progress and growth

Whilst concluding on behalf of my colleagues on the Board and my personal behalf I convey our gratitude for the confidence you have reposed in us I sincerely hope that you will continue to extend your whole hearted support and confidence in the future as well to enable us to further improve the working of the Company

Thank you!

Bharat Forge

Note This does not purport to be a record of the proceedings of the Annual General meeting

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jarat and West Bengal (0 6 each)

In registered manufacturing Kerala has a negative employment elasticity of −0 1, because of negative employment growth rate. In this sector also Rajasthan has the highest employment elasticity at 2 3 Bihar Haryana, Karnataka MP, UP and West Bengal also have above unity employment elasticity in registered manufacturing Punjab and Maharashtra have very low elasticity

In tertiary sector the employment elasticity at the aggregate level is less than unity in all states The highest elasticity has been recorded by Orissa (0 85) followed by West Bengal (0 82) MP (0 74) and Rajasthan (0 72) Punjab and Haryana have very low elasticity 0 48 and 0 45 respectively Within tertiary sector public administration has in general lowest employment elasticity indicating that growth of income has been rising much faster than employment in this sector In general also organised tertiary sector seems to have relatively lower employment elasticity than unorganised tertiary sector This may be due to relatively lower wage rate in the unorganised sector in comparison to organised sector

It is interesting to note that with one major exception (Maharashtra) employment elasticity has been higher in manufacturing in comparison to tertiary secto as a whole in all states Also in most states employment elasticity in agriculture has been higher than in tertiary sector as a whole It may be noted that while the share of unorganised sector in total tertiary sector employment has a larger weightage, in case of income it is the other way round

IV

Agriculture-Industry Cleavage An Explanation

We have seen in the previous section that the growth rate of industrial output has been in general greater than agricultural output But the relative differences between growth rates of industry and agriculture vary significantly across states We have also noted that the employment elasticity of income has been less than unity in practically all tertiary activities including public administration In registered manufacturing sector also employment elasticity has been less than unity in a large number of states The relatively slower growth of employment *vis a vis* income in non agricultural sector restrains the demand for agricultural wage goods in relation to non agricultural income The relatively faster growth of non agricultural income over employment on the other hand generates greater demand for industrial goods Thus, given the supply constraint the relative growth of industry over agriculture would depend upon the relative growth of non agricultural income over employment To test this hypothesis we may regress difference between growth rates of industry and agriculture on the difference between growth rates of income and employment in non agriculture

Agriculture is basically supply constrained At the aggregate level the growth rate of agriculture would have very little sensitivity to demand though relative prices may affect composition of agricultural output Industry on the other hand is both demand and supply constrained [Chakravarty 1979] The growth rate of industry would depend only partly on capacity creation and partly on demand Given capacity, the utilisation of capacity would vary partly in relation to supply of key inputs like power and agricultural and non agricultural raw materials and partly in relation to demand A higher growth of agriculture may therefore generate higher output of industry through greater supply of agricultural raw materials and demand for industrial products However industry agriculture relationship may not be uniform as the pattern of industrialisation varies across states Traditionally industrial states—Maharashtra, Gujarat and West Bengal—depend relatively more on all-India and external market demand The growth rate of industry in these states therefore, may not be very sensitive to performance of agriculture and demand generated within these states We may also note that these states suffered from acute power shortage during the seventies and consequently the growth rates of industry in these states were less than potential Secondly states having a high share of capital goods in total industrial output would also be relatively less sensitive to demand generated by agriculture and employment A state like Orissa, therefore could achieve a very high growth rate of industry of 8 5 per cent with only 2 0 per cent growth rate of agriculture because of a very low share (only 12 per cent) of consumer goods in total gross industrial output (see Table 4) MP also having a relatively lower share of consumer goods performed well in industry despite a negative agricultural growth Tamil Nadu achieved a high growth rate of industry with negative growth rate of agriculture presumably because of its greater dependence on all India market for consumer goods

From the discussion above we may postulate that the difference between growth rates of industry and agriculture (YI−YA) would be a function of the difference between growth rates of income and employment in industry (YI EI) and tertiary (YT− ET) The differences in the pattern of industrialisation among states may be captured through two intercept dummies D1 (1 for Maharashtra Gujarat and West Bengal and 0 for other states) and D2 (1 for Tamil Nadu Orissa and MP and 0 for the rest) Equation (1) presents estimates of this function for 14 major states for the period 1970 71 to 1980 81

TABLE 3 EMPLOYMENT ELASTICITY OF GROWTH 1970 71 TO 1980 81 ALL INDIA AND INDIVIDUAL STATES

(Per cent pa)

State	Agriculture Forestry and Fishing	Registered Manufacturing	Tertiary: Transport Storage Communication	Banking and Insurance	Public Administration	Wholesale and Retail Trade, etc	Real Estates, Business Services etc,	Other Services	Total Tertiary
Andhra Pradesh	1 43	0 83	0 84	0 66	0 17	0 88	−0 21	0 76	0 54
Bihar	1 43	1 22	1 33	1 28	2 27	0 40	−8 33	0 55	0 62
Gujarat	0 61	0 97	0 78	0 75	0 41	0 58	1 06	0 95	0 63
Haryana	0 88	1 05	0 72	1 18	0 25	0 40	0 98	1 19	0 45
Karnataka	0 80	1 39	0 47	0 88	0 07	0 84	0 41	1 27	0 55
Kerala	0 03	0 13	0 67	0 69	−0 15	4 17	0 23	0 32	0 53
Madhya Pradesh	−3 22	1 15	0 81	0 76	0 22	12 50	0 77	0 39	0 74
Maharashtra	0 51	0 52	0 76	0 89	0 32	0 60	−0 05	1 85	0 69
Orissa	1 01	0 83	0 79	0 95	1 19	2 56	−1 41	0 34	0 85
Punjab	0 43	0 55	0 75	0 90	0 21	0 47	0 08	0 69	0 48
Rajasthan	1 75	2 32	1 02	0 73	0 23	1 39	0 64	0 62	0 72
Tamil Nadu	−10 52	0 72	0 43	0 64	0 06	1 25	1 51	0 42	0 52
Uttar Pradesh	0 73	1 14	0 67	1 14	0 24	0 87	−0 23	1 02	0 60
West Bengal	0 61	1 54	0 52	1 07	0 60	1 43	0 17	−1 88	0 82
All India	0 98	0 99	0 55	0 86	0 22	0 74	0 32	0 76	

Note Employment Elasticity of Growth = per cent change in employment/per cent in change income.
Source See Tables 1 and 2

$$(1)\ (YI-YA) = 2.92 + 0.22\,(YI-EI) + \underset{(2.23)}{0.60}\,(YT-ET) - \underset{(-3.74)}{2.41}\,DI + \underset{(4.34)}{2.91}\,D2$$

(4.20) (2.28)

$$\bar{R}^2 = .84 \quad F = 17.67$$

All the estimated parameters in this function turn out to be significant (at 5 per cent level) except that of YT−ET which is significant at 10 per cent level and marginally below the level of significance at 5 per cent However, (YT−ET) as well as (YI−EI) turns out to be individually significant (at 5 per cent level) when we use them in separate functions, as may be seen from equations (2 and 3)

$$(2)\ (YI-YA) = \underset{(11.86)}{4.31} + \underset{(2.56)}{0.27}\,(YI-EI) - \underset{(4.43)}{3.03}\,DI + \underset{(3.15)}{2.15}\,D2$$

$$\bar{R}^2 = .77 \quad F = 15.61$$

$$(3)\ (YI-YA) = \underset{(3.24)}{2.65} + \underset{(2.50)}{0.77}\,(YT-ET) - \underset{(2.89)}{2.20}\,DI + \underset{(4.03)}{3.18}\,D2$$

$$R^2 = .77 \quad F = 15.39$$

The coefficients of all the variables in all equations are fairly stable with proper sign and the overall goodness of fit in terms of R^2 and F ratio is quite satisfactory In all 84 per cent of variations in the growth differentials between industry and agriculture can be explained in terms of growth differentials between income and employment in non agricultural sector and pattern of industrialisation dummies This is quite significant considering the fact that this function is estimated at cross section level using growth rates of variables

Equation (1) suggests that if employment and income grow at the same rate in both industry and tertiary sectors then the average normal growth rate of industrial income would be about 3 percentage points above the agricultural income growth rate, or if the average growth rate of agricultural income is about 2.5 per cent then the average normal growth rate of industrial income would be about 5.5 per cent However industrial income in Maharashtra, Gujarat and West Bengal would have increased only by .5 per cent (2.9−2.4) above agricultural growth rate, and in Tamil Nadu, Orissa and MP would have increased by about 5.8 per cent (2.9+2.9) above agricultural growth rate The growth differentials between industrial and agricultural income would be 0.2 and 0.6 per cent higher for every 1 percentage point increase in growth differentials of income and employment in industry and tertiary sectors respectively Since agriculture is basically supply constrained the growth differentials between industrial and agricultural income would arise mainly on account of demand induced increase in industrial output Further, our results suggest that demand induced industrial growth arise more from the tertiary sector income and employment growth differential than that of industrial sector

If we disaggregate tertiary into public administration and other tertiary activities then we can see (equation 4) that the growth differentials between industrial and agricultural income depend significantly on growth differentials between income and employment in public administration than in other activities However overall goodness of fit of equation (4) turns out to be inferior as compared to equation (1)

$$4)\ (YI-YA) = 2.57 + 0.13(YI-EI) + 0.16(YP-EP) + \underset{(1.38)}{0.48}(YT^*-ET^*) - \underset{(-3.04)}{2.21}DI + \underset{(3.75)}{2.99}D2$$

(2.84) (1.05) (1.94)

$$R^2 = .82 \quad F = 13.21$$

(Where YP and EP are income and employment growth rates in public administration respectively and YT^* and ET^* are income and employment growth rates in other tertiary activities respectively)

All-India Industry-Agriculture Growth Scenario

There has been a big spurt in the growth rate of industry in the eighties as compared to the seventies The current industrial growth rate is comparable to that in early phase of industrialisation during Second and Third Plans The industrial growth rate in eighties is higher when estimated from the New Series of Industrial Production (base 1980-81) as compared to the Old Series (base 1970-71) The industrial growth rate in the eighties has accelerated despite any marked improvement in agricultural growth rate.

We have already seen in Section V that at the state level industry-agriculture growth differentials depend crucially on the income

TABLE 4 COMPOSITION OF GROSS VALUE OF OUTPUT (1981 82)—CENSUS SECTOR

(*Per Cent*)

State	Consumer Goods	Rest
Andhra Pradesh	42.49	57.51
Bihar	6.14	93.86
Gujarat	38.38	61.62
Haryana	22.37	77.63
Karnataka	29.66	70.34
Kerala	21.68	78.32
Madhya Pradesh	22.66	77.34
Maharashtra	27.59	72.41
Orissa	11.87	88.13
Punjab	45.66	54.34
Rajasthan	33.18	66.82
Tamil Nadu	29.39	70.61
Uttar Pradesh	36.99	63.01
West Bengal	27.56	72.44
All India	29.59	70.41

Note Consumer goods include manufacture of food products, beverage, tobacco, etc, textiles and textile products, wood and wood products paper and paper products and leather and leather products

Source *Annual Survey of Industries* Vol 1, 1981 82, Central Statistical Organisation, Government of India

TABLE 5 ANNUAL GROWTH RATES OF GDP AND EMPLOYMENT, ALL INDIA

Year	Agriculture and Allied	Manufacturing, Construction, Electricity Gas and Water	Transport Communication, Trade	Banking Insurance, Real Estate, Ownership of Dwellings and Business Services	Public Administration Defence and Other Services	GDP at Factor Cost	Employment: Public Sector	Employment: Organised Private Sector
				(At 1970-71 Prices)				
1971 72	−0.4	2.5	2.6	5.3	5.9	1.6	5.3	0.4
1972 73	5.8	3.7	2.4	4.6	3.6	−1.0	5.9	1.2
1973 74	7.2	1.9	3.9	2.5	3.5	4.8	4.3	−0.8
1974 75	1.7	1.2	5.9	−0.4	4.9	0.9	3.1	0.1
1975 76	13.3	5.5	9.2	8.2	4.9	9.7	3.8	0.6
1976-77	−6.3	9.0	4.5	9.1	4.0	0.6	3.3	0.3
1977 78	11.5	7.3	6.9	5.9	4.6	8.7	3.2	2.6
1978 79	2.9	7.6	8.6	8.4	7.4	5.8	3.4	2.3
1979 80	−12.5	−2.3	−0.5	1.3	10.4	−4.9	2.7	0.3
1980-81	12.0	1.2	6.0	2.8	7.9	7.3	2.7	2.3
				(At 1980-81 prices)				
1981 82	6.0	7.6	7.0	4.7	3.5	6.2	2.9	2.0
1982-83	−1.0	4.3	6.1	7.6	7.8	3.1	3.2	0.1
1983 84	10.7	9.5	5.8	5.6	3.6	8.2	2.5	−2.8
1984 85	0.5	6.3	5.2	6.2	7.3	4.0	2.3	−0.5
1985 86	0.5	8.5	7.8	6.3	7.4	5.1	2.4	−0.9
1986-87	−1.6	8.3	5.0	7.3	7.4	4.0	1.9	−0.1
1987 88	−0.7	6.7	4.4	4.7	6.6	3.6	—	—

Source *Economic Survey*, 1988-89 and 1980-81

employment growth differentials This hypothesis seems to be valid at the macro level also as can be seen from Table 5 We note that GDP from both industry and tertiary sectors have accelerated in the eighties as compared to the seventies However growth rates of employment in both public and organised private sectors have decelerated in the eighties as compared to the seventies With relatively slower growth of employment in relation to income in non agricultural sector the demand for industrial goods is likely to have increased greater in eighties and consequently industry agriculture growth differentials have widened

Table 5 show that employment in organised private sector has been growing slowly in the seventies However its growth rate in the eighties has been mostly negative The growth rate of employment in public sector (including public enterprises) has also receded in the eighties Such slow growth of employment in both public and private sectors must have restrained the demand for wage goods whereas high rate of growth of non agricultural income must have contributed to the demand induced growth of industrial production However it is not possible to confirm this econometrically because of lack of comparative estimates of national income of constant prices for seventies and eighties

The increasing disparity between income and employment in non agricultural sector has an adverse implication on income distribution which is partly reflected in the pattern of industrial growth in the recent years The production of necessities like manufactured food clothing etc has increased only modestly in the eighties whereas production of luxury items and particularly consumer durables is rising now very rapidly as would be evident from recent statistics on industrial production [*Economic Survey* 1988 89 and *Report on Currency and Finance* 1987 88]

If we compare the pattern of industrialisation of the eighties with its early phase of Second and Third Plans then we may notice while in the early phase the big spurt in industrial production came mainly from basic and capital goods in the current phase it is more from consumer durables Also in the current phase there is relatively more incentive for both production and consumption of consumer goods than before. Further the widening base of middle class and fiscal concession given to them in the recent years have generated additional demand for luxury goods

It may be noted while analysis of employment growth in states is based on census data the same at the macro level corresponds to only organised sector It is possible that there is a positive growth of employment in the unorganised sector however there is no evidence of any significant improvement in income and standard of living in the unorganised sector

VI

Conclusion

The following conclusions may be drawn from this analysis At the state level we find a great deal of variations between industrial and agricultural growth rates This can be largely explained in terms of income and employment growth rates in industry and tertiary sectors However the pattern of industrialisation varies across states The traditionally industrial states depend more on all India and external markets for the sale of industrial output and consequently their industrial performance is less dependent on income and employment growth within the state Also states with a very low share of consumer goods in total industrial output is less sensitive to demand generated within the state

It is interesting to note that the employment elasticity of output in general is lower in the tertiary sector than in agriculture and manufacturing in all the states Further the employment elasticity of output in the tertiary sector is less than unity in all the states Within the tertiary sector public administration and defence has in general lowest employment elasticity indicating that wage rate has been rising faster than employment in this sector The organised tertiary sector as a whole seems to have relatively lower employment elasticity than the unorganised tertiary sector

At the macro level we find evidence that the growth differentials between industry and agriculture has widened during the eighties as compared to the seventies This coincides with decreasing employment elasticity of output in both industry and tertiary sectors and particularly in the organised private sector in the recent years The macro evidence is therefore consistent with the state level evidence discussed above

The increasing disparity between the income and employment growth rates and its consequent effect on agriculture and industry growth differentials has a wider implication on equity The people already employed in the organised sector are enjoying the benefits of the current industrial boom whereas the vast majority of the population in the unorganised sector is deprived of this benefit because of inadequate gainful employment and low wage rate Thus the urgent need of the hour is not industrial growth *per se* but industrial growth with more employment so that the benefits of growth can be shared more equitably by all sections of the population

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Correction

In 'Culture and Subaltern Consciousness An Aspect of MGR Phenomenon' by M S S Pandian (July 29, Review of Political Economy), on page PE-63, para two, line one, please read Symbiotic for Symbolic The error is regretted

Ed

The Intelligentsia as a Ruling Class

Ashok Rudra

THIS has reference to the discussion piece of Ramaswamy R Iyer (March 11) on my article The Emergence of the Intelligentsia as a Ruling Class in India' (January 21) It is understandable that one should be somewhat confused about the identity of the class I have called the Intelligentsia, its lines of demarcation from other classes and the common properties shared by different members of the class as I have myself taken different stands on this point in my notes and in the body of the article (and all the more so as by some clumsy handling there has been some mess created between notes 6 and 7) Classes are like elephants which are easy to identify but difficult to define I stand by my identification of the class in terms of the sections of the population covered by it as well as the social characteristics described by me However, at the time I wrote the paper I was dissatisfied myself about how to give a theoretical definition to the class As such, my treatment of this most important question in the body of the text reads as if the demarcation depends on the distinction between manual and non manual labour I agree with everything Iyer writes about this being not at all satisfactory On the other hand, I think I gave a perfectly satisfactory solution to the problem in note 6 where I define the class as follows "Members of this class sell their services at a price *higher* than the value produced by them It may be noticed that I am making use of Marx's distinction between value produced by a labourer and the value of the labour power of that labourer Workers in the Marxian scheme sell their labour power at a price lower than the value of what they produce Members of the intelligentsia do the opposite—instead of generating a surplus they receive more value than they produce, the difference being filled by a transfer from the surplus generated by labourers engaged in material production They therefore have the same position in relation to other classes as what has been called the 'labour aristocracy' "

I have taken the trouble of quoting extensively for my own writing as I had intended what is now printed as note 6 to replace note 7 altogether Confusion arises from different things being said in the body of the text, in note 6 and 7 Bungling arose as a result of the rush in which the paper was sent for publication I do not regret the rush *EPW* is unique in the world of periodicals in the social sciences for providing a forum for discussion of problematic issues even while they arise in the work of researchers I wanted to take advantage of this marvellous opportunity for getting the benefit of discussions. I already had the benefit at the time of publishing of having the commentaries and rejoinders of Andre Beteille and Pranab Bardhan and now I have the benefit of the various questions raised by Iyer

Now that I have clarified that the members of the intelligentsia class are not defined as those who engage in mental labour and do not produce any value most of the serious questions raised by Iyer cease to apply There is no question of unskilled workers being more important as producers than skilled workers masons being more important than architects production taking place without the help of managers Accountants and clerks can also be recognised for the contributions they make to the process of production All that is necessary for my purpose is that the members of the class including judges managers teachers poets and professors' receive a value for their services higher than the value of the products produced by them

I do not see any problem with there being very great disparities in the income and wealth earned and possessed by different members of the class and their having common life styles 'at least common aspirations" This is one matter on which it is possible to have convincing empirical evidence I have been carrying out a survey with two colleagues of mine in the Indian Statistical Institute into the consumption, habits and life styles of some sample households of people with white collar occupations The results are being published in instalments in the *EPW*, the first three of which have appeared in the issues of April 22 June 10 and July 22 One of our most remarkable findings is that in a monthly income range stretching from Rs 3,000 to Rs 12,000 the consumption of a large number of items is either not responsive to income change at all or responsive to a very low degree Whether one is a clerk or a high court judge one aspires to possess and use the same kind of consumer items—the differences being no more important than that between black and white TV and colour TV This is what I meant by saying "a common life style, at least common aspirations

The lack of any comparability with the standard of living of the vast majority of the population can also be statistically authenticated We have got another paper ready for publication about the living conditions of the very poor in which we show that these very poor families do not possess even two sarees per adult female (whereas the number in the white collar group easily crosses 50) Iyer finds that the distinction I make between the 'Babu Class' and 'non-Babu Class' constitutes the weakest part of my paper In my own judgment it is one of the most important points made in my paper

Iyer raises many other points on which I do not think that I can give him any satisfaction Thus, he has difficulties with the term contradiction' For him it is a logical term I have used it as a familiar technical term in Marxian Philosophy But then Iyer is unable to accept the view that thinking without an ideological framework is either impossible or pointless' For us, it is indeed impossible and pointless to think without a theoretical framework and in the social sciences a theoretical framework cannot but have an ideological content My theoretical framework which is that of Marxian political economy, is looked upon by Iyer as the formidable ghost of Marx looming over Rudra's pages After this it is very difficult for any communication to take place between Iyer and myself Before criticising and rejecting my propositions Iyer tries "to capture the different elements in Rudra's paper in a non-doctrinal statement without theoretical formulation" All through his piece Iyer reveals a strong allergy towards theoretical arguments and treats any attempt at theorisation as indulgence in doctrines His anti-theory bias goes to such an extent that he has difficulties even with the distinction between the subjective and the objective, the short run and the long run He writes "Anything can always be said to be objectively other than what it is Similarly, anything which conflicts with our theory can be dismissed as a short term phenomenon" Of course one can do no such thing If 'contradiction is a technical term in Marxian philosophy, the objective subjective distinction is an established concept in philosophy in general Similarly, the short run/long-run distinction is an important notion in economics both neo classical and Marxian

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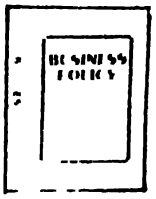

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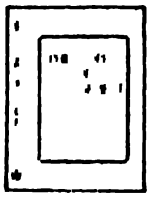

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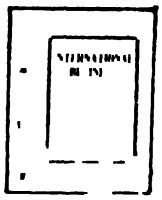

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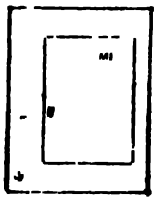

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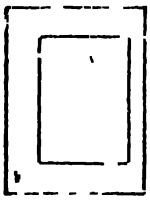

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